Weekend FT

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Black knight
How Canadian tycoon Conrad Black, left, made half a billion pounds from a Tory institution .... Page I

A nice little place in town
A mansion for millionaires: the London home of the late Robert Holmes à Court is on sale for – guess how much .... Page IX

Pregnant with expectation
Dilly Baker, left, wants to be the first priest to have borne a child ....Page XX

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Weekend February 22/February 23 1992 D 8523A

WORLD NEWS

Hizbollah rocket attack as Israelis quit Lebanon

A five-year-old Israeli girl was killed in a rocket attack by Hizbollah militiamen who returned to southern Lebanon villages within hours of the withdrawal by Israeli forces.

Israel responded with a heavy artillery bombardment of the villages. Page 24; Picture, Page 3; US tougher on Israeli call for $10bn credit, Page 3; Realism in retreat, Page 8

Congress win in Punjab
Indian prime minister P V Narasimha Rao strengthened the position of his Congress minority government after winning 12 of the 13 parliamentary seats in Punjab, taking its tally in parliament to 244 in a house of 544. Page 3

IMF date for Russia
Russia and other former Soviet republics will be admitted to the International Monetary Fund on April 27. Page 2
South Africa's ambassador to the US, Harry Schwartz, said his country had won US support for assistance from the IMF, but is not yet ready to apply for help "at this stage". Page 3; Man in the news: F W de Klerk, Page 8

Ukraine coalition talks
Ukrainian president Leonid Kravchuk began talks with the opposition on forming a coalition cabinet to implement economic reforms. Page 2

Delors may stay on
European Commission president Jacques Delors denied he was thinking of returning to French politics and hinted that he might consider an extension of his term. There had been speculation he would replace Edith Cresson as prime minister. Page 2

Ceasefire ignored
Fighting in Nagorno Karabakh, the Armenian-populated district in Azerbaijan, intensified in spite of an agreement by the foreign ministers of Armenia and Azerbaijan to recommend a ceasefire to their governments. Page 2

Sinn Fein campaign
Sinn Fein, the political wing of the IRA, is planning a diplomatic campaign to seek potential allies in the European Parliament and the United Nations. Page 4

Philippine debt deal
The Philippines reached a new deal with its leading creditor banks on rescheduling $5.3bn of the country's debt to commercial banks. Page 3

Six hurt in Algerian clash
Six people were hurt in a gun battle between Moslem fundamentalists and police trying to arrest an Islamic preacher in the eastern Algerian city of Coustantine.

Squatter camp battle
At least four people were killed and 150 homes were destroyed in clashes between residents of a Cape Town squatter camp and feuding taxi operators.

Germans arrested
German police arrested three businessmen from Bavaria for selling Iraq equipment for use in producing nuclear weapons and ballistic rockets.

LA back on the rails
Los Angeles is building a metropolitan rail system linked to two new commuter train networks to create the largest mass transit rail network in the US after New York.

BUSINESS SUMMARY

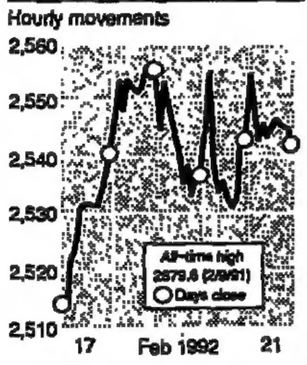
BSN counters Agnellis with FFr6bn rival bid for Exor

BSN, French food group, yesterday launched a rival FFr6bn (£610m) bid against Italy's Agnelli family for Exor, the French property company which controls Perrier.

BSN has won backing for its move from foods rival Nestlé and French bank Indosuez, and has support from Paris bank Lazard, once seen as an Agnelli ally. BSN's FFr1,420-a-share offer for Exor beats the FFr1,320 offered by Ifint, an Agnelli vehicle. Page 12

UK STOCKS were shielded from the effects of the week's bad news from international oil companies by expectations of an expansionary UK budget. The FT-SE index moved ahead yesterday but lost impetus and closed 1.1 points lower at 2,542.3. Page 15; Lex, Page 24; Markets, Weekend FT Page II

FT-SE 100 Index
Hourly movements



WACE: Britain's Department of Trade and Industry is investigating the ownership of Wace Group, world's biggest specialist in pre-press printing. The move follows a Wace internal inquiry into share dealings ahead of a 1990 takeover. Page 24; Background, Page 11

STEETLEY, UK building materials group fighting a hostile bid from rival Redland, has replaced Cazenove as its lead broker. The move came as Steetley and Tarmac abandoned their joint venture plan. Page 10

LUFTHANSA employees have been told to brace themselves for job cuts as the German airline forecast more financial woes this year. Losses for 1991 will total around DM400m (£139m). Page 12

BCCI: Liquidators of Bank of Credit and Commerce International have finally agreed a compensation deal with the bank's Abu Dhabi majority shareholders. It could mean up to $2.2bn (£1.29bn) for creditors. Page 7

NATIONAL Home Loans, troubled UK mortgage lender, appointed Jonathan Perry executive chairman after the resignation of its chairman and group chief executive. NHL banking arm National Mortgage Bank is to be run down under the chairmanship of Ian Hay Davison.

GERMAN money supply growth accelerated again last month as heavy demand for credit continued. January's 9 per cent annualised rise in M3 followed a 5.8 per cent jump in December. Page 2

BT, UK telecoms group, is to make another 3,100 telephone operators redundant in addition to 7,500 announced last year. Workers laid off, Page 4

RICOH, Japanese office equipment and camera company, forecast a steep profits downturn for the fiscal year ending next month. Page 12

MARKETS

STERLING
New York lunchtime:
$1.745
London:
$1.747 (1.7505)
DM2.8825 (same)
FFr9.80 (9.8025)
SFr2.6075 (same)
Y224.75 (225)
£ index 90.5 (90.6)

GOLD
New York Comex Apr
$352.5 (354.7)
London:
$351.95 (353.4)

N SEA OIL (Argus)
Brent 15-day Apr
$17.825 (17.75)

Chief price changes yesterday: Page 24

DOLLAR
New York lunchtime:
DM1.6532
FFr5.6185
SFr1.4975
Y128.755
London:
DM1.6495 (1.647)
FFr5.61 (5.60)
SFr1.493 (1.49)
Y128.7 (128.55)
$ index 64.2 (64.2)
Tokyo close: Y128.65

US LUNCHTIME RATES
Fed Funds: $3\frac{7}{8}$%
3-mo Treasury Bills: 4.025%
Long Bond: $100\frac{1}{2}$
yield: 7.949%

STOCK INDICES
FT-SE 100: Yield 4.86
2,542.3 (−1.1)
FT-A All-Share:
1,219.36 (−0.1%)
FT-SE Eurotrack 100:
1,154.51 (+4.89)
New York lunchtime:
DJ Ind. Av.
3,274.15 (−6.48)
S&P Comp
412.07 (−1.81)
Tokyo: Nikkei
21,291.81 (+519.89)

LONDON MONEY
3-month Interbank
$10\frac{3}{16}$% ($10\frac{1}{4}$%)
Liffe long gilt future:
Mar $97\frac{7}{16}$ (Mar $97\frac{27}{32}$)

Hidden costs of life assurance policies revealed

By Norma Cohen and John Authers

THE cost of selling a life assurance policy in the UK can be up to 2½ times the premiums paid by the policyholder in the first year, according to industry data supplied to the DTI.

The data, never before publicly disclosed, also show that the cost of selling a new policy varies widely among life companies.

According to the industry's own figures, nearly half of Britain's top companies need at least a full year's premium merely to cover the cost of making a sale. This means that a company selling a conventional 25-year mortgage-related endowment policy with premiums of £50 per month could need to retain around £600 of initial premiums merely to cover costs.

The bulk of these charges is borne in the first years of the policy, so those who cash in their policies early receive negligible returns.

Several companies with the highest cost ratios, including some of Britain's biggest, say some sales costs are borne by shareholders or paid from reserves. The detailed figures of 61 life companies, obtained by the Financial Times, are culled from the insurers' own reports on their "with profits" business in 1989 and 1990. They were filed with the DTI. In 1991 the life assurance industry sold policies totalling £14.12bn in the UK. About half of those were with-profits policies.

Insurance companies do not dispute the figures, though they describe them as "crude". They say the wide variation in reported costs reflects many factors including the mix of business, the way costs are calculated by each company and the way policyholders are charged.

However, Mr Kit Jebens, chief executive of Lautro, the industry's self-regulatory body, said: "On policies, the consumer eventually pays the acquisition cost, sometimes indirectly."

The "price tag" of life assurance policies in the UK varies from 251 per cent of the first year's premiums, which Provident Life reported as the average cost of each new sale in 1990, to the 24 per cent recorded by Equitable Life in the same year.

Current legislation does not require the life industry to make full disclosure of costs in cash terms to potential customers. The expense ratios
Continued on Page 24

Full tables, Weekend Page VII

City watchdog chief to head Lloyd's inquiry

By Richard Lapper

LLOYD'S of London, stung by a barrage of recent criticism, has asked Sir David Walker, chairman of the Securities and Investments Board, to direct investigations into alleged malpractices at the insurance market.

Sir David, a member of the Lloyd's Council since 1988, will oversee inquiries into allegations that working Names, who have jobs with Lloyd's agents and brokers, have benefited at the expense of outside Names who were allegedly placed on poorly performing syndicates. Names are the individuals whose assets support underwriting at Lloyd's.

He will also co-ordinate investigations by Lloyd's into so called "spiral" reinsurance business, in which Lloyd's syndicates reinsure each others' exposure to catastrophe risks.

Spiral syndicates have registered devastating losses for their Names. Many now face financial ruin.

Critics have suggested that the main purpose of spiral business was to earn commissions and fees for brokers and underwriters at the expense of syndicate members.

Commenting on Sir David's appointment, Mr David Coleridge, chairman of Lloyd's, said: "I needed a man who was so white that snow-white looked dirty.

"I realised that there has been a lot of fuss in Parliament and we couldn't ignore the allegations," added Mr Coleridge.

He said he hoped Sir David's appointment would "at least stop outpourings of venom without any facts".

Action was also necessary to bolster confidence of Names and policyholders as well as the agents and brokers who trade at Lloyd's.

"The market is very numb: They've never been treated like this before. They find it utterly amazing that these allegations are being made," Mr Coleridge said.

Sir David's appointment, he said, was designed to "raise the profile" and "put into a higher gear" existing regulatory work, which has been under way since the end of last year.

Sir David has chaired the SIB, Britain's chief investment watchdog, since 1988.

Scrutiny of the way agents place Names on to the 280 or so syndicates currently trading had already been stepped up before the recent round of publicity, Mr Coleridge said.

Lloyd's has already set up a number of independent review committees to ascertain the factors which contributed to the losses of the several spiral syndicates.

The first of these reviews, into Feltrim syndicate 540/542, is chaired by Sir Patrick Neill, and is scheduled to report in the spring.

Sir David, who could start on his task as early as next week, is expected to take at least two months to complete investigations and produce a report, which Lloyd's expects to publish.

Mr Coleridge said the existing staff and other resources of the Lloyd's Corporation, the body which provides regulatory and market services for agents and syndicates at the market, may be insufficient. He added that Sir David would be free to appoint external consultants or draw on any other resources he might require.

Mr Coleridge said he told Ms Marjorie Mowlam, Labour spokeswoman for City affairs, on Thursday that Lloyd's wanted either to "demolish" the accusations or, "if there was anything in them, we would get hold of the wrongdoers and string 'em up".

Lloyds Bank chairman Sir Jeremy Morse warned that UK banks' bad debts were unlikely to fall in 1992, and said Lloyds expected to cut up to 3,000 more jobs this year. The bank's profits rose 9 per cent in 1991 Page 24

CBI report warns of continuing recession

By Peter Marsh, Economics Staff

A GRIM warning that poor prospects for UK manufacturers were likely to prolong the recession still further came last night from the Confederation of British Industry.

According to the CBI, manufacturers see little hope of raising output over the next four months.

This increases the probability that the recession – already the longest since the 1930s – will extend into a seventh quarter.

The CBI said weak demand was further squeezing company profits. As a result Britain was "unlikely to see the rise in investment needed to improve and sustain competitiveness over the longer term".

The bleak tone of the CBI's latest survey of industrial trends – which provides a barometer of overall economic activity – increased pressure on government ministers to stimulate the economy.

It came at the end of a week in which official figures showed that the recession had so far lasted six quarters, and in which the cabinet gave the go-ahead for an expansionary pre-election Budget on March 10.
Continued on Page 24

Prompt payment call, Page 4
Editorial Comment, Page 8
Risk and reward, Page 9
Kinnock warning, Page 24

Chips are down in sizzling battle over pommes frites

By David Buchan in Brussels

THE STAKES are getting higher and the chips are down in Belgium's long-sizzling legal wrangle over who invented the six-sided *pomme frite*.

While the rest of the world may be preoccupied with a different kind of chip – the semiconductor – Belgian attention is focused on a technologically advanced way to produce *pommes frites* – crisp, golden spears of potato accompanied by dollops of mayonnaise and almost everything else.

So it was almost inevitable that this dispute about the cutting edge of *frite* technology should take place in Belgium.

Inevitable, too, for a country struggling with linguistic divisions, that it should be a French-speaking Walloon and a Dutch-speaking Fleming who would grill each other in court over the true origin of the hexagonal *frite*.

The only thing the two men agree on is the superiority of the six-sided *frite* over the traditional rectangular shape. The new version absorbs up to 20 per cent less grease and cooks more evenly and quickly because its edges are smoother.

Such advantages are to be weighed seriously in a country where 10,000 *friteries* serve 1,000 tonnes of chips a day.

Aviko, a subsidiary of Gebeco, the Dutch food co-operative, said yesterday that sales of its Pommes Sixtettes brand were booming in Belgium, thanks in part to the publicity of the court case brought by Mr Guiseppe Bonsignore, a Walloon of Italian origin, against Mr Robert Stroobandt of Flanders for *frite* patent infringement. Aviko bought its licence to make six-sided *frites* from Mr Stroobandt.

Yesterday, Mr Bonsignore countered by saying that the more polygonal *frites* Aviko sold in Belgium, the greater the damages he would be seeking.

When he started his lawsuit in 1990 he sued Mr Stroobandt and Aviko together for BFrs 11m (£183,000). But the wheels of Belgian justice grind slowly and the Liège commercial tribunal is not expected to reach a judgment for some months.

Meanwhile, Mr Bonsignore has licensed his *frite*-cutting grille to two Belgian companies, and touted it to McCain of Canada, the biggest supplier of frozen chips in Europe.

But Mr Lucien Decraeye, head of Belgium's national union of *frituriers*, or friers, has doubts about whether his customers will take to the novelty of a six-sided *frite*.

"We Belgians are very traditional when it comes to our *frites*," he said.

Gastronomically, everyone agrees, the ideal *frite* would be completely round. Creating industrial machinery to cut potatoes into cylinders would be very hard, according to experts.

However, even this last *frite* frontier is probably not safe from ingenious Belgians – and their lawyers.

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New law clears way for exploitation of Moscow's vast underdeveloped mineral resources

Russian go-ahead for foreign energy investors

By Leyla Boulton in Moscow

THE Russian parliament yesterday approved a long-awaited law on mineral rights, taking an important step towards encouraging foreign investment in the country's rich but badly managed oil, gas and mining sectors.

Mr Yuri Sergeyev, head of parliament sub-committee on natural resources, said the law would go into effect by March 1.

Although Russia has huge amounts of undeveloped or neglected mineral resources, potential investors have been frustrated by a lack of rules on ownership and taxation.

"This is a step in the right direction. We are beginning to define what the parameters are for doing business in the Russian republic," said Mr George Reese, senior managing partner of consultants Ernst & Young in Moscow. He also urged the Russian government to cut export taxes in order to encourage investment.

But Mr Peter Aven, Russia's minister for foreign economic relations, said yesterday that while unspecified export duties on other products would be reduced, the government had no intention of cutting taxes on oil exports.

The law's main points include:

- provisions for concessions and production sharing;
- licences for exploration and operating rights to be awarded through tenders and auctions. Permits to be issued jointly by the relevant local authority and the geology committee of the Russian ministry for natural resources and ecology.
- the sharing out of royalties among federal and local authorities although a different allocation of revenues from strategically important wells and mines can be negotiated by federal and local authorities. Payments are to be divided as follows in the case of hydrocarbons: 30 per cent to city budgets, 30 per cent to regions and 40 per cent to the republic. For other minerals the breakdown is 50 per cent for cities, 25 per cent for regions, and 25 per cent to the Russian republic. For resources in the Continental shelf, the division is 60 per cent to the region and 40 per cent to Russia.
- There is an upper ceiling of five years for exploration permits, and 20 years for exploitation rights.

The law was passed in spite of attacks from former hardline communists such as Mr Nikolai Maltsev, who claimed the law would "permit the plundering of mineral resources by private enterprise".

Former Soviet republics to join IMF in April

By Leyla Boulton in Moscow

RUSSIA and other former Soviet republics will be admitted to the International Monetary Fund on April 27, diplomats said yesterday. Only Uzbekistan may temporarily be excluded due to technical problems over its application.

Russia is expected to be given a 2.5 per cent quota of what is expected to be an increased Fund capital. This would place it on a par with the Netherlands in joint ninth place in the IMF's pecking order after the US, Japan, Germany, France, the UK, Saudi Arabia, Italy, and Canada.

Apart from opening the door to badly-needed assistance for its switch from communism to capitalism, admission of the former Soviet Union to the Fund will formally end seven decades of economic isolation.

Russia is expected to be given a 3.5bn quota of Special Drawing Rights (SDR's) which will entitle it to around $20bn in balance of payments and other IMF assistance over four years, as well as encouraging alternative sources of public and private finance.

But the IMF is only expected to be ready to disburse funds from the third quarter of this year, after the elaboration of a binding programme of economic reforms and its approval by the Fund. A draft programme, which is being prepared by Russia jointly with the IMF, is expected to be finalised by the end of March.

Other republics which are less advanced than Russia on the path of market reform are likely to qualify for IMF funds later. Fund membership rules entitle countries to IMF resources to help implement agreed reforms.

The combined quota of the 15 republics is expected to amount to 4.5 per cent of the Fund's capital and will be divided on a similar basis to the formula used by eight of the republics to share out the former Soviet Union's assets and liabilities.

The decision to grant full membership to the independent states, agreed in principle at the Garden City, New York meeting of the Group of Seven leading industrial nations last month, will be taken at the annual meeting of the interim committee, the Fund's top decision-making body on April 27.

A stabilisation fund for the rouble, which will be available as early as this summer, is being put together separately by western countries. But they have made the granting of Russia's request for $5bn to back the ailing Russian currency conditional on its admission to the IMF.

- The Russian ministry of Economics and Finance has been separated into two – with Mr Egor Gaidar, deputy prime minister, remaining in charge of the Ministry of Economics and Mr Andrei Nechaev, formerly deputy minister of the economy and finance, in charge of the Ministry of Finance.

Republics to meet on debt impasse

By Leyla Boulton

THE former Soviet republics, including Ukraine, are to meet in Moscow on Monday to consider how to service a $60bn foreign debt. So far the republics have been unable to agree to accept joint and several responsibility for the debt, a precondition for fresh credits from the Group of Seven leading industrial nations.

Russia said yesterday it was looking for partial deferral of interest payments on the debt, following a postponement of $11.1bn of principal payments already agreed with western creditors.

Mr Peter Aven, Russia's minister for foreign economic relations, said his country had to pay $8.7bn this year. "This is a big sum especially when other republics are not paying anything," he said.

Ukraine has refused to accept joint responsibility for the debt, preferring instead to pay its share independently. One western official said the only concession on offer to Ukraine when it meets the former Soviet Union's creditors in Paris next month would be an opportunity for it to make its debt repayments through an institution other than the Moscow-based Vnesheconombank.

Ukraine is due to present its case to creditors on March 15-16. This will be followed by a meeting of all the republics with western creditors at the end of March to discuss extending until the end of the year the deferral on principal payments.

EC mission to CIS states

THE European Community will start to examine the practical difficulties of establishing political links with the former Soviet republics tomorrow when Mr Frans Andriessen, the external affairs commissioner, begins a six-day visit to the Commonwealth of Independent States, writes Andrew Hill in Brussels.

Mr Andriessen plans to visit Minsk, capital of Belarus, Kiev in Ukraine and Alma Ata in Kazakhstan. "The main purpose is political: to explore on the spot what kind of relationship we might establish," said an official.

Ukraine's President Kravchuk in talks with opposition leaders yesterday

Kravchuk in coalition talks

By Chrystia Freeland in Kiev

UKRAINE'S stalled economic reforms were boosted yesterday when President Leonid Kravchuk began talks with the opposition on forming a coalition cabinet and parliament slashed Ukraine's crippling taxes.

Mr Kravchuk and opposition leaders signed a communique pledging to take part in round table negotiations which could lead to the creation of a coalition cabinet.

On Thursday Mr Kravchuk had a separate meeting with leaders of the nationalist Rukh party, who pledged to support his policies. These negotiations are the public confirmation of a perverse political alliance between the ex-communist president and the forces he once helped to imprison.

The parliament, meanwhile, overruled the cabinet's position on taxes. In an effort to conform to strict International Monetary Fund advice about producing a balanced budget, the Ukrainian ministry of finance had imposed crippling taxes including a 61 per cent compulsory contribution from salaries into a social welfare fund, a 19 per cent Chernobyl payroll tax and a 6 per cent payroll tax earmarked for an unemployment fund.

Parliament yesterday reduced the social welfare contribution to 37 per cent, the Chernobyl tax to 12 per cent and the unemployment tax to 3 per cent.

Karabakh conflict worsens

By John Lloyd in Moscow

FIGHTING in Nagorno Karabakh, the Armenian-populated district in Azerbaijan, intensified yesterday in spite of an agreement by the foreign ministers of Armenia and Azerbaijan to recommend a ceasefire to their governments.

Mr Ayaz Mutalibov, the Azerbaijani president, called on his countrymen to "unite in a single fist to defend the freedom and independence of our Azerbaijan".

The international ramifications of the conflict were raised when Turkey, which borders Armenia, expressed concern over the creation of armies by both warring states on the basis of divisions of the former Soviet Army's Caucasian command.

Manoeuvres by 7,000 Turkish troops on the border were described by Marshal Yevgenny Shaposhnikov, head of the Commonwealth of Independent States' armed forces, as "unusual". Mr Andrei Kozyrev, the Russian foreign minister, has urged caution from Turkey in response to the worsening position in Nagorno Karabakh.

Britain called on both Azerbaijan and Armenia to implement the ceasefire agreed by the foreign ministers – and said that "it is important to have this translated into reality on the ground".

Both Russian and Armenian politicians have called for the intervention of a peacekeeping force from the UN or the CIS – but Azerbaijan has so far failed to agree. More than 1,000 have died in the area in four years.

Delors offers to stay on as EC chief

By Ian Davidson in Paris

MR Jacques Delors yesterday denied that he was thinking of returning to French politics, and hinted that he might consider an extension of his term as president of the European Commission.

In the light of a steep decline in the popularity of France's socialist government, there has been much speculation in France that President Mitterrand would call on Mr Delors as a replacement for the prime minister, Mrs Edith Cresson, perhaps after next month's regional elections.

But after talks in Paris with President Mitterrand and Mrs Cresson, Mr Delors insisted that he would in any case serve out his full Brussels term, which runs until the end of this year. He said he would not seek an extension of his appointment; but "if they ask me, I shall see, according to the usefulness of what I can do".

Belgium may end coalition deadlock

By Andrew Hill in Brussels

BELGIUM seems poised to emerge from 13 weeks of political deadlock over forming a coalition government.

Mr Jean-Luc Dehaene, the senior Flemish politician exploring the coalition possibilities, has suggested that Christian Democrats and socialists from both sides of the French-Flemish language divide should form a "limited government", with half the usual number of ministers.

Since November's inconclusive election, Belgium has been governed by a caretaker administration under Mr Wilfried Martens, the long-serving prime minister. Successive politicians have failed to form a new coalition.

Mr Dehaene's plan has a better chance of success because the Flemish Christian Democrats have finally agreed to drop their demand for a coalition with the liberal parties. "It's the beginning of the end of the crisis," said a spokeswoman for Mr Dehaene last night.

If the Belgian king agrees with Mr Dehaene's plan, he will decide who should form and lead a new government.

The government is expected to try to cut the country's large budget deficit and push through constitutional changes.

The San Diego freeway: the authorities are gambling that commuters will abandon their cars for the train

Return of rail enters LA lore

The car is no longer unchallenged in California, writes Karen Zagor

IS THE CITY of Los Angeles pouring billions of dollars into a hole in the ground, or have its city planners finally seen the light?

Nearly 30 years after Los Angeles' last trams and commuter trains stopped running, depriving the city of any semblance of a public transport system apart from the occasional bus, it is building a metropolitan rail system linked to two new commuter train networks.

When this ambitious 30-year, $150bn system is completed, Los Angeles' mass transit rail network, covering 350 miles, will be the largest in the US after New York's.

The very idea of mass transit may seem anathema to a city which, in the modern American mind, is even more closely associated with the car than Detroit.

But it is interesting to recall that, in the 1930s, Los Angeles boasted the nation's longest metropolitan rail system, with more than 1,200 miles of track. As recently as 1945, Pacific Electric's Big Red cars ferried 109m passengers each year.

However, the construction of the Pasadena Freeway in 1940 spelled doom for public transport, with the rise to supremacy of the car aided by General Motors, which bought up the city's transit systems, removed its streetcar rails and put in its own buses, which the company said were more profitable. Los Angeles became a model for the futuristic city and a transport-planning blueprint for much of the western US.

But, while it took decades for the experiment of a trainless city to sour, the city's residents no longer relish choking on polluted air.

Moreover, Los Angeles County's streets and highways can no longer cope with a population that has multiplied three times to today's 9m from 3m in 1940. The freeway speed limit is 55 miles per hour, but the actual average speed is only 36mph, falling fast and estimated to drop to only 17mph by 2000. It is this congestion which the Los Angeles County Transportation Commission is hoping will lure large numbers of commuters to its trains.

More than 80 per cent of the funding is coming from local sources – mainly taxes voted in specifically for the project. Most of the remainder is coming from the federal government. The commission also plans to attract customers in more sublime ways: about $100,000 per station has been set aside for art works. The aim is to keep the stations in character with their surroundings, which in Los Angeles leaves more than a little scope for the imagination.

At the underground station at Hollywood and Vine, once the heart of old Hollywood, a yellow brick road will lead riders to ticket booths. Downstairs, passengers will wait for trains on star-studded floors under columns decorated with palm fronds while watching old movies projected above the tunnel entrances. The platform at El Segundo overground station near the city's aerospace companies will have a giant hand holding a paper aeroplane.

Meanwhile, the project has been dogged by controversy, over construction problems as well as cost. Underground construction has been plagued by fire, accidents and leaks. The latest battle is over the Hollywood Boulevard portion of the system. Local residents are worried that construction will stall the area's recent revival. When the downtown segment was built, big trenches in the streets disrupted the flow of traffic.

However, the paramount problem will remain whether Angelenos can be lured in numbers away from the safe isolation of their cars.

Critics maintain that the new system is little more than a very expensive public relations ploy on the part of local politicians.

Mr Peter Gordon, a professor of urban planning at the University of Southern California, believes that the city would do better to pay a lot more attention to highway management, charging drivers the full cost of parking, pollution and congestion.

"Rail was a good idea when most people went downtown," he said, "but most people go from suburb to suburb, not downtown."

Money growth lends weight to Bundesbank's caution

By Christopher Parkes in Bonn

GERMAN money supply growth accelerated again last month under the influence of continued heavy demand for credit, the Bundesbank reported yesterday.

January's 9 per cent annualised increase in M3 followed a 5.8 per cent jump in December. M3 is the broad money supply measure comprising cash, current and savings accounts, sight deposits and time deposits of up to four years.

Private sector borrowing in January was DM4.6bn (£1.6bn), compared with DM300m in month last year.

Although the result was more or less in line with unofficial forecasts, it was still far above the Bundesbank's target range for M3 growth this year of between 3.5 per cent and 5.5 per cent.

The figures added further weight to the bank's insistence that its tight controls, especially high interest rates, must be maintained in the interests of monetary stability and reducing inflation.

The Bundesbank claimed yesterday, however, that the January surge was subject to special factors and stemmed in part from increased demand for credit in December spilling over into last month.

The money supply increase for January was stated as a comparison with the final quarter of 1991, when M3 growth was speeding up, while the December figure related to the more stable situation during the last three months of 1990.

Conditions in the wages market, another area of prime concern to the Bundesbank's policy-makers, remained tense yesterday.

Banks throughout the country were hit by selective strikes among workers still pursuing a 10.5 per cent pay claim even though employers earlier this week imposed a 5 per cent award. Textile unions, due to start pay talks on March 17, approved a 9.5 per cent demand on behalf of the industry's 700,000 workforce.

The government, meanwhile, maintained the deadlock in talks with public service workers.

Federal, state and local authority employers refused for the second time to make a counter-offer to the union's claim for a 9.5 per cent wage increase plus DM550 more holiday pay, a package estimated to be worth 11 per cent.

Mr Rudolf Seiters, interior minister and the government's main representative in the negotiations, said the discrepancy between the demand and resources available was so great that the employers were unable to make an offer. He had brought "plenty of time" with him to the negotiating table, he said.

The 1991 public service pay contract expired at the end of December.

Brussels faces united German opposition on budget increase

By Quentin Peel in Bonn

THE European Commission is facing the danger of a united German political establishment opposed to its demands for a substantial increase in funding for the European Community budget.

Outright opposition from Germany, which is the effective paymaster of the EC as by far its largest net contributor, would be likely to undermine the entire budget strategy of Mr Jacques Delors, the Commission president, who is looking for large-scale new funds to help the poorer member states join the eventual European economic and monetary union (Emu).

The opposition Social Democrats (SPD) yesterday called on the German government to reject any move to raise the ceiling on EC budget spending above the present level of 1.2 per cent of gross national product. They said any such move was unacceptable above all in Germany, which had already reached "financial breaking point."

Within hours, the move brought a response from Mr Helmut Kohl's own Christian Democrats (CDU), saying the opposition was pushing on an open door. Mr Hans Peter Schmidtz, a deputy leader of the CDU group in the German parliament, said it was "self-evident that the burden on Germany should not increase."

It now looks inevitable that the budget debate for the EC will become inextricably linked with the difficult debate in Germany over the ratification of the Maastricht treaties on political as well as economic union, presenting the Kohl government with an acute EC headache both with its supporters and the opposition.

The SPD case against a budget increase was presented yesterday by Mrs Ingrid Matthäus-Maier, a deputy parliamentary leader and finance spokesman. She attacked above all the European Commission's proposal to increase the absolute level of spending on agriculture, in spite of its hopes to reform the policy and cut production of food mountains.

She said that according to the Commission forecasts, Germany's payments to the EC budget would increase by 50 per cent, from DM40bn to more than DM60bn by 1997, a period in which the German government budget was limited to an increase of just 13 per cent.

She said that the SPD had no intention of linking the budget issue to ratification of the Maastricht treaties, for which SPD support is needed for a two-thirds majority in the parliament. But government officials fear that is exactly what will happen.

The Maastricht treaty process is already complicated by the demands of the 16 German federal states to play a much greater role in EC decision-making wherever their interests are involved. Ratification in Germany is likely to take all year.

On top of that, the government itself is divided on the reform of the Common Agricultural Policy, with half urging more radical moves to enable a deal in the world trade liberalisation talks, and half seeking to protect Germany's small farmers.

Irish Workers' Party faces break-up

By Tim Coone in Dublin

THE Irish Workers' Party is expected to split today over deep ideological differences and allegations that a military wing, the official IRA, continues to operate in Northern Ireland independently of the party leadership.

Mr Proinsias de Rossa, the party leader, has threatened to resign today if hardliners led by Mr Sean Garland, a former general secretary, do not quit.

He said he would set up a new "democratic and socialist" party which would seek to replace Ireland's constitutional claim to Northern Ireland "with an aspiration for unity of people, rather than states".

Mr de Rossa will be joined by five other MPs, leaving the Worker's Party with only one seat.

The Worker's Party split from Sinn Fein in the early 70s to pursue parliamentary politics rather than armed struggle.

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S Africa 'wins US backing for new IMF aid'

By Nancy Dunne in Washington

MR HARRY Schwartz, South Africa's ambassador to the US, yesterday said his country had won US support for new monetary assistance from the International Monetary Fund, but was not yet ready to apply for help "at this stage".

"We are in a position that when it is appropriate we can apply," he said, welcoming a favourable US State Department pronouncement.

The statement had been long in preparation but was made "more pointed" after the crushing by-election defeat of the National party at the hands of the right-wing Conservative party on Wednesday. It acknowledged that economic conditions in South Africa, where unemployment has reached 40 per cent, will "have a direct and decisive impact on the success of the new democracy which emerges from the current negotiations".

The State Department, while vague on its IMF policy, said the US was "prepared to consider a proposal" for an IMF facility. A provision of law, the Gramm amendment, prohibits US support for an IMF facility unless four conditions are met. A Department spokesman said three had been, but it was not yet clear the fourth had. That requires South Africa to seek balance of payments support from the private markets before going to the IMF.

Mr Michael Christie, Washington director of the South Africa Foundation, a private-sector South African group, said he had been privately assured the US would now back an IMF facility. But the timing was subject to debate because inflation was now 15 per cent. However, he said, the country, which now desperately needs to expand its economy through imports, had the option of going to the IMF.

A formal finding by President Bush earlier this week that South Africa has made "significant progress toward the elimination of apartheid" paved the way for new Eximbank lending to the South African government.

"We are also encouraging US exports to non-governmental South African importers who have endorsed and proceeded toward the implementation of fair labour standards," it said. "If the Secretary of State certified that a South African firm meets these standards, US exporters to such a firm would also be eligible for Eximbank support." Companies owned by non-whites are exempt from requirements. Lending to support apartheid is prohibited.

US tougher on Israeli call for $10bn credit

US OPPOSITION is building to Israel's request for up to $10bn (£5.7bn) of loan guarantees, George Graham reports from Washington.

Several key members of Congress have warned they will oppose the loan guarantees, which Israel has sought to help finance the cost of absorbing 1m new immigrants from the former Soviet Union, unless Israel freezes its settlements activity in the occupied West Bank and Gaza zones.

"It is essential Israel understands US taxpayers will be in no mood to support these guarantees under any conditions," said Congressman David Obey, chairman of the House of Representatives appropriations sub-committee.

Mr James Baker, secretary of state, has refused to agree to the request unless Israel accepts a freeze on new settlements. On Thursday, Mr Baker met Mr Jacob Frenkel, Israeli central bank governor, and was due to discuss the loan guarantees yesterday with Senator Patrick Leahy, head of the Senate appropriations sub-committee on foreign operations.

Senator Leahy has proposed granting the loan guarantees at a rate of $2bn a year, but clawing back the amounts Israel spends on settlements in the occupied territories. Israel has conceded some curb will be needed on settlement activity, but the two sides have so far not agreed on how many homes are already being built.

Senator Robert Byrd, Senate appropriations committee chairman, has voiced scepticism over the guarantees, warning that Israeli assurances that the US money would not be spent on settlements were meaningless, since they would free other money for that purpose. "Receiving written assurances as to how the money will be spent, without any accompanying change in Israeli settlement policy, is an exercise in building a paper dam." He based his comments on a General Accounting Office report, which said Israel would probably be able to repay the loans, even if it failed to fulfil promised economic reforms.

Militants of the pro-Iranian Hizbollah group raise V for victory signs after fighting Israeli troops for two days in the villages of Kafra and Yater in South Lebanon

Philippines reaches deal on rescheduling $5.3bn debt to banks

By Jose Galang in Manila and Alexander Nicoll in London

THE Philippines has reached a new deal with its leading creditor banks on rescheduling $5.3bn of the country's debt to commercial banks. The agreement, which must be put to the rest of the banks, replaces a deal last September which foundered as the Philippines missed economic targets set by the IMF, and Manila failed to win an accord securing the future of US military bases in the country.

The government of President Corazon Aquino recently received IMF approval for a new economic programme after forcing measures through the legislature. Bankers believe the debt deal will provide significant relief to the new government which will take office after elections in May.

A significant difference from the previous proposals is that banks will not be able to lend money through a co-financing arrangement with the Asian Development Bank. The US objected to commercial bank financing being secured in this way. Otherwise, the terms are similar. The Philippines has obtained lower interest rates on bonds being offered to the banks, reflecting the general drop in dollar interest rates, though the cuts are not as great as some bankers feared.

The package gives bank creditors the option to exchange loans for new bonds carrying low fixed interest rates or to tender their existing Philippine loans for a cash buy-back at a sizeable discount. Banks may also opt to provide new money to the Philippines. Philippine monetary authorities estimate that the programme will generate more than $2.3bn (£1.3bn) in fresh funds and debt relief over the next six years. The country's foreign debt totals $29bn.

Bonds to be offered in exchange for existing loans include new money bonds with a maturity of 17 years and an interest rate of London inter-bank offered rates plus 13/16 percentage point. Interest reduction bonds with a maturity of 15 years will carry interest for the first two years of 4 per cent, rising to 5 per cent in the next two, and to 6 per cent in year six. From the seventh year until maturity date, the interest will be Libor plus 13/16 per cent. A third option will be principal collateralised interest reduction bonds to mature in a repayment in 25 years, initially carrying 4¼ per cent interest.

Fresh chapter opens on Shanghai's exchange

By Simon Holberton in Hong Kong

THE attractions of the Shanghai Vacuum Electron Device Company may not be readily apparent from its name, but the company opened a new chapter in China's financial history yesterday when shares owned by foreigners began trading on the Shanghai Stock Exchange.

For the first time since the communists took power in 1949, foreigners have been permitted to trade freely in a publicly quoted Chinese asset. The company is also the first Chinese state-owned company to admit foreign owners.

If Shanghai Vacuum's first day of trading is anything to go by, then China's fledgling experiment with elements of capitalism, known as "socialism with Chinese characteristics", got off to a good start. The company's share price rose 26 per cent from its issue price of $70 to close at $88.50 a share, on a turnover of 3,430 shares.

Shanghai Vacuum is one of China's leading manufacturers of television tubes (both black and white, and colour) and electron guns. It is also the pride of Shanghai and, by virtue of city government regulation, holds a virtual monopoly for what it manufactures.

Three weeks ago, a group of foreign merchant banks, led by SBCI Asia Finance, placed 1m "B" shares in the company with international investors.

The placement, which was four times oversubscribed, raised $78m which the company plans to use to increase its output of colour TV tubes. The shares were due to start trading on Thursday but the Shanghai authorities requested a day's delay because February 20 was not deemed auspicious.

Rao strengthens stance after Punjab poll wins

By K.K. Sharma in New Delhi

INDIAN Prime Minister P.V. Narasimha Rao, has strengthened the position of his Congress minority government after winning 12 of the 13 parliamentary seats in Punjab, taking its tally in parliament to 244 in a house of 544.

The party is still in a minority but can count on the votes of 16 allies to takes its support to 260. This leaves it short of a majority by 13 seats but it is supported by some members of the split Janata Dal and others.

This will enable Mr Rao to face parliament in its budget session on Monday with more confidence than before the Punjab election. Dr Manmohan Singh, his minister of finance, is expected to present an austere budget on February 29.

Mr Rao's economic reforms and liberalisation programme have been severely criticised by his opponents in other parties and from within Congress.

NEWS IN BRIEF

Zimbabwe importing maize to beat famine

Zimbabwe, crippled by the most serious drought in living memory, said yesterday it plans to import up to 2m tonnes of maize to avert mass starvation, Reuter reports from Harare.

Mr Cephas Msipa, chairman of the Grain Marketing Board, said his board expected farmers to deliver 250,000 tonnes of maize to the national granaries in the current agricultural season, a quarter of the average figure.

Finance Minister Bernard Chidzero told a donors' meeting in Paris this week that Zimbabwe needed $430m (£245.7m) to help it overcome the drought, which has killed thousands of livestock and threatens millions of people with starvation.

Sharp fall in Canadian inflation

Canada recorded a year-on-year inflation rate of just 1.6 per cent in January, the smallest rise in 21 years, Statistics Canada reported yesterday, Bernard Simon reports from Toronto.

The sharp drop from the 3.8 per cent rise in the consumer price index registered last December and a peak of 6.8 per cent in January 1991 were mainly due to elimination from year-on-year calculations of the one-off impact of the 7 per cent goods and services tax, imposed in at the beginning of last year.

Chicago wins third airport

Chicago's Mayor Richard Daley has won his fight for locating a third international airport inside the boundaries of the city. The airport site, on Chicago's south-east side called Lake Calumet, will cost $10.8bn (£6.1bn) to develop, Barbara Durr reports from Chicago.

The project is the biggest public works bonanza in Chicago for decades and is expected to generate over 200,000 jobs.

Mr Daley's Lake Calumet site gained the crucial support of Illinois governor Mr Jim Edgar after the mayor agreed to establish a regional authority, including state representatives, to control all three of Chicago's airports.

Airline suspends Peruvian flights

An Argentine airline suspended all flights to Peru yesterday after five passengers fell ill with cholera a few days after eating food on a flight from Lima to Los Angeles, an airline official said, Reuter reports from Buenos Aires. One of the passengers died, and 23 more have begun showing symptoms of the disease, he added.

UK NEWS

W Midlands engineers doubt recovery prospects

By Paul Cheeseright, Midlands Correspondent

THERE are no signs of an impending recovery from recession, West Midlands engineering employers warned yesterday. Mr John Owen, retiring president of the region's Engineers Employers' Federation, said that the local engineering industry "has experienced perhaps its worst recession ever".

The federation's annual report for 1991 said: "For many companies manufacturing output has stabilised at a very low and unacceptable level."

With more than 1,000 members, the EEF West Midlands represents the largest concentration of engineering companies in the UK and its collective performance is a barometer of national trends.

"Four out of 10 [companies] continue to report a deterioration in their business trends; and only one out of 10 reports an improving trend or more buoyant circumstances," reported Mr Owen.

This experience mirrors the national economy: government figures have shown that the decline in output during 1991 was the steepest since 1931. It is also a renewed pressure on the government, as it prepares a pre-election Budget, for some stimulus to the domestic economy.

"Expectations for recovery extend into the second half of 1992; confidence is low and employment prospects are not good," Mr Owen said.

The West Midlands Enterprise Board said yesterday that, in the region as a whole, 35 people are chasing every available job against a national average of 27. In the urban areas of Birmingham, the Black Country, Solihull and Coventry more than 40 people are chasing each job. It reported 11,655 redundancies over the past six months.

Limited employment prospects have also led to a fall in the level of wage settlements. The EEF West Midlands reported that the average increase in 1991 was 6.4 per cent, compared with 7.6 per cent in 1990.

Although the EEF West Midlands remains worried about levels of productivity – "the UK still lags behind world competition" - independent analysts are sanguine about the medium-term future.

The enterprise board, although ruling out any immediate prospect of a strong economic recovery, believes that "prospects for engineering may be better than those for much of the rest of the economy". It cited the export potential of new Japanese car plants which, it said, would create a demand for components. West Midlands industry is strongly dependent on the fluctuating fortunes of the motor industry.

Washing-machine workers laid off

By Charles Leadbeater, Industrial Editor

TWO LEADING washing-machine manufacturers yesterday confirmed the depth and severity of the recession by announcing plans to lay off almost 3,000 workers in an effort to cut unsold stocks.

The lay-offs at Hotpoint and Hoover suggest that the rise in retail demand during the January sales may have been short-lived.

Hotpoint is to lay off 1,600 shopfloor workers at two plants in north Wales for a fortnight next month. Workers at the factories at Llandudno Junction in Gwynedd and Bodelwyddan, Clwyd, are already working a four-day week because of the impact the recession has had on sales of washing machines and dishwashers.

Mr Phil Collins, the personnel director of Hotpoint, said that continuing poor sales of washing machines since Christmas meant that it was necessary to have two full weeks of short-time working in the first and last weeks of March.

Mr Trevor Gregory, the AEU engineering union convener for the plants, said that the shutdown and short-time working would result in each employee losing wages of about £700.

Hoover blamed an increasingly difficult economic situation for its decision to lay off workers at its Merthyr Tydfil plant in south Wales for two weeks from March 2.

The company said improved sales in recent months had not reduced the stocks of finished goods to acceptable levels.

Confectioner to make 286 redundancies

By Guy de Jonquières, Consumer Industries Editor

ALMA Holdings, the confectionery maker that was placed in receivership last week, is to make 286 of its 775 staff redundant. The job losses will be split almost equally between two factories in Dundee, Tayside, and Glenrothes, Fife.

KPMG Peat Marwick, the receiver, said that the company, which has sweet brands including Barker & Dobson, Keiller and Hacks, had recently been losing about £1m a month. It added that the Dundee factory was on a three-day week.

KPMG said it would prefer to sell the whole group but was ready to consider offers for parts of it. Several leading companies in the food and confectionery industries had made serious inquiries about the group.

Jaguar to shed a further 650 jobs

By John Griffiths

JAGUAR, Ford's luxury cars subsidiary, is seeking to shed a further 650 jobs this year, reducing its total UK workforce to about 7,400.

The move comes against the background of heavy financial losses at Jaguar and a continuing slump in luxury car markets. It is on top of 4,000 job losses at the company last year.

A Jaguar spokesman said last night the company hoped to achieve most if not all of this year's reduction through an early retirement scheme, with the age threshold for eligibility reduced from 60 to 55.

Negotiations on this scheme are being held with unions, which are not expected to launch any large campaign against further cuts.

The latest cuts prompted Mr Gavin Laird, general secretary of the AEU engineering union, to warn that the motor industry "can't take much more of this depression and this government's mismanagement of the economy".

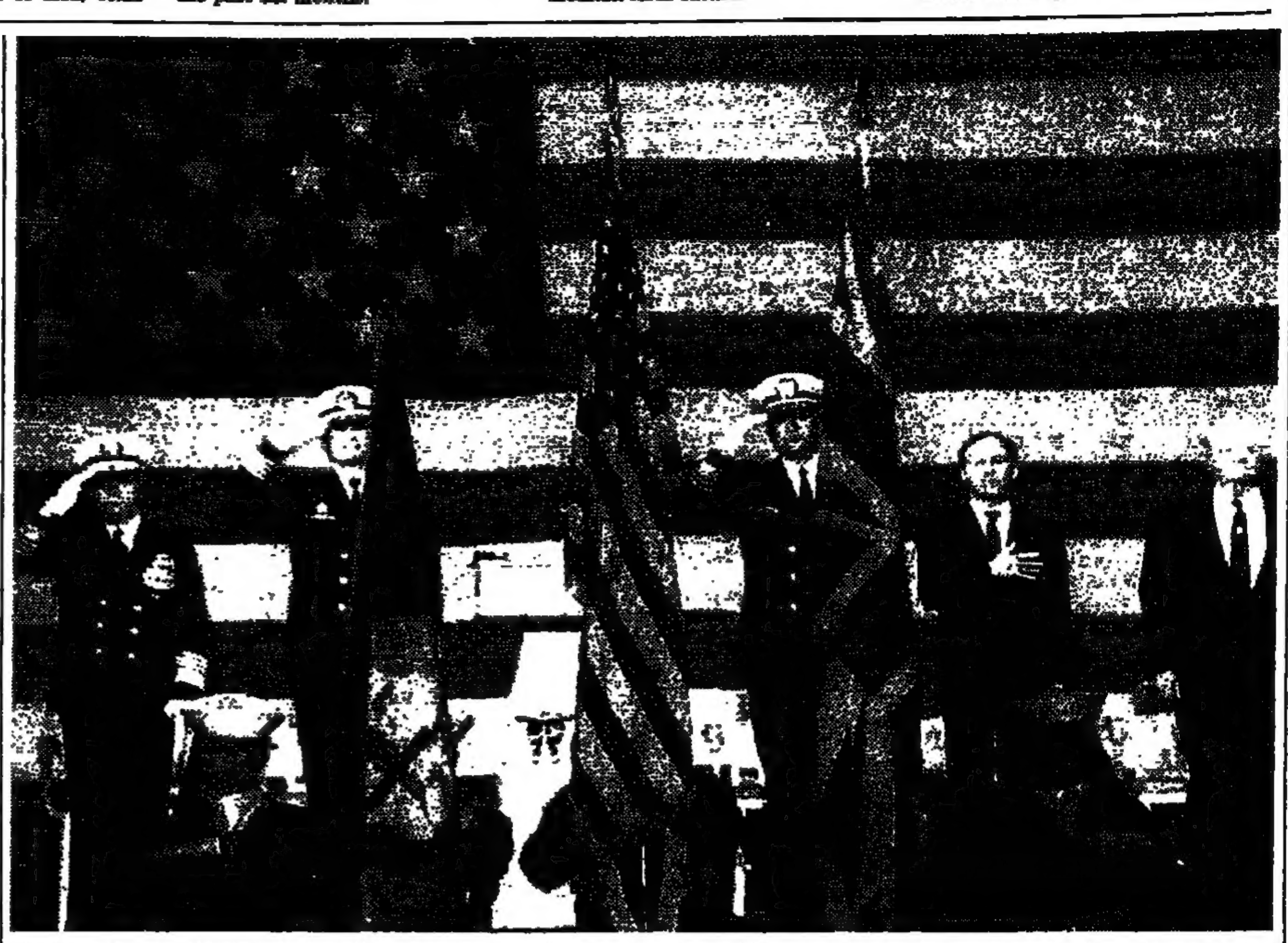
Estimates from the Society of Motor Manufacturers and Traders show a total of 70,000 motor-industry jobs lost, or likely to be lost, by the middle of this year since the start of the recession.

While no deadline has been set for the 650 jobs to be lost through the early retirement scheme and non-replacement of workers, it is unlikely that Jaguar will allow it to run indefinitely.

Jaguar is believed to want to achieve the reductions as quickly as possible and may impose redundancies if not enough volunteers come forward. Last year fewer than 300 of the job cuts were imposed.

About 800 Jaguar workers would qualify for early retirement under the lower age limit. The company's management is understood to be hoping that up to 500 workers will apply quickly.

Jaguar made a pre-tax loss last year of £226m compared with a £66.2m loss in 1990, with worldwide sales falling to 25,661 from 42,753 a year earlier. It produced only 23,000 cars last year but is projecting an increase to 28,000 in the current year.



Last salute: the US bids farewell to Dunoon, Scotland, on leaving Holy Loch, its nuclear submarine base for 31 years

Woolwich launches two rescue plans

By David Barchard

WOOLWICH, the third largest UK building society, has launched two mortgage rescue schemes at a cost of £60m to save from eviction customers who are seriously behind with their payments.

The schemes are part of moves by lenders to help stem a flood of mortgage repossessions – expected to reach 80,000 this year – and follow talks between lenders and the government just before Christmas, in which £800m was pledged for the schemes.

Woolwich's first rescue scheme is aimed at families whose incomes have fallen since they bought their homes but who are not eligible for social security income support and so cannot make normal payments on their mortgages.

Three housing associations, London & Quadrant, Circle 33, and Metropolitan Housing, will buy the homes from their occupants at the current open market valuation, allowing their former owners to remain as tenants.

Woolwich yesterday declined to comment on the interest which the housing associations will pay it for funding, but it is understood to be between 3.5 per cent and 5 per cent.

Under a second scheme the occupants will remain owners but will be charged interest at rates below the market level in return for Woolwich becoming a part owner of the house.

The society will own the stake in the house until it is sold or the equity share is repaid.

Most of the families affected are in London and the south-east. The £60m will enable Woolwich to rescue between 600 and 800 households from eviction.

More aid sought for Welsh coal regions

By Anthony Moreton, Welsh Correspondent

THE GOVERNMENT is to seek further aid from the European Commission for the depressed coal-mining areas of Wales. This is on top of the £17.8m released by Brussels earlier this week.

Mr David Hunt, Welsh secretary, met Mr Bruce Millan, EC commissioner for regional policy, on Thursday in Brussels when it was indicated that an application for a further £10m would be "looked on favourably". Mr Hunt said qualifying projects had been drawn up by the Welsh Office. "We have a long list of schemes ready to be put into Brussels as soon as we get the nod," he said.

The move will be welcomed by other British mining areas which are certain to put in further applications now that the dispute over such funding between Whitehall and Brussels has been settled. The government backed down on Monday from its previous stance that European regional aid should go to the Treasury to help finance schemes already authorised in Britain.

Mr Millan refused to release £120m to Britain for more than 50 projects unless he received an assurance that European finance would be used in addition to anything the government might spend.

Mr Hunt and Mr Millan met at the opening of the Wales European Centre in Brussels, designed to act as a link between companies in the principality and the EC. Organisations that played a part in setting it up include the Welsh Development Agency, district and county councils, the Training and Enterprise Councils in Wales, the Development Board for Rural Wales and University College, Cardiff.

CBI issues code for prompt bill payment

By Paul Taylor

A CODE of prompt payment practice, seeking a commitment from all companies to pay bills on time, was launched yesterday by the Confederation of British Industry.

The code, Prompt Payers – in good Company, advises on steps a company should take to ensure it pays its bills on time. It is being sent to all CBI members with a letter from Sir Brian Corby, CBI president.

Introducing the code, Sir Brian said: "Cashflow is the lifeblood of business. Late payment can damage business relationships and endanger the very survival of a company. While to some, paying bills after the due date may appear a simple means of easing financial pressures,it is in fact a clear breach of contract.

"It is also short-sighted and can be in no one's interest if an otherwise sound and valued supplier goes to the wall because bills are not paid on time."

The code says a reasonable company should:

- Have a clear, consistent policy to pay bills in accordance with contract.
- Ensure that the finance and purchasing departments are aware of this policy and adhere to it.
- Agree payment terms at the outset of a deal and stick to them.
- Promise not to extend or alter payment terms without prior agreement.
- Ensure that there is a system for dealing quickly with complaints and disputes, and advise suppliers without delay when invoices, or parts of invoices, are contested.

Sinn Fein plans diplomatic effort

By Tim Coone

SINN FEIN, the political wing of the IRA, is planning a diplomatic campaign to seek potential allies in the European Parliament and the United Nations.

A strategy document, Towards a Lasting Peace in Ireland, will be discussed at Sinn Fein's annual congress in Dublin this weekend.

The document argues that the political and economic changes in eastern and western Europe "demand an equivalent breadth of vision and willingness to innovate. The partition of Ireland and the British claim to jurisdiction over the Six Counties (Northern Ireland) is a European issue".

It argues that the UN can help to bring about abolition of emergency laws and special courts in Northern Ireland and the republic and participate in setting up talks.

The document says: "As an interim measure Sinn Fein would propose that the UN secretary-general requests annual reports from the British government on its role in Ireland and conducts a yearly review of the consequences of the continued partition."

It envisages an international conference on the conflict which would "involve representatives of all political views in Ireland, along with international experts on decolonisation and conflict resolution".

The British and Irish governments have rejected the inclusion of Sinn Fein in political discussions on Northern Ireland, until it formally distances itself from the IRA and renounces the use of force.

Neither government would comment yesterday on the proposals but could be expected to block any attempt to involve the EC or the UN, arguing that it was an internal matter.

Sinn Fein's weekend congress will discuss a range of social and economic issues, including a women's policy document which includes motions on the right of divorce and abortion in the republic.

The congress is not expected to produce serious divisions over moves to distance Sinn Fein more clearly from the IRA.

In a recent interview with the Irish Times Mr Gerry Adams, Sinn Fein president, said the IRA "does come from the same tradition as Sinn Fein. We do share common objectives, but the IRA reaches its decisions independently of Sinn Fein, and Sinn Fein reaches its decisions independently of the IRA".

Traders angered by rise in charges on credit cards

By David Barchard

A LEADING RETAILERS' representative yesterday warned the high-street banks that their plans to increase credit card service charges may lead to reduced co-operation from retailers in the fight against fraud.

Mr Bob Woodman, a director of the Retailers' Consortium, said price increases ,by Barclays and National Westminster had taken the spotlight away from the fraud issue, expected to cost the banks about £200m this year.

He asked: "How can we co-operate with them when there is this sort of friction between our two industries?"

In the past two weeks Barclays and National Westminster have started writing to retailer customers informing them that the merchant service charge – the commission paid on credit-card transactions – will have to go up.

The banks say reduced volumes of business are forcing them into losses on their credit card merchant services in spite of reduced costs and a price rise in unavoidable.

Both NatWest and Barclays say that retailers pay an average merchant service charge of 1.6 per cent, though this varies from about 1 per cent for very large groups with a lot of negotiating power to as much as 4 per cent for some small businesses.

Barclays Merchant Services, the plastic card processing arm of Barclays, said yesterday it would be raising charges by less than 10 per cent. This would mean an increase of about 14p per £100 of turnover for its average retailer customer.

Privately bankers admit that they priced their credit card services too low in their scramble to enter the market from 1989. Until then, credit card merchant services in the UK were provided only by Barclaycard for Visa and by Access for MasterCard. Individual banks did not compete in the market.

Barclays says that average merchant service charges fell by 26 per cent in the two years since 1989.

Only one bank, Lloyds, says it is currently making a small profit from credit-card merchant services, but it admits that business volumes have dropped sharply because of the recession. Its 1991 results, published yesterday, show that its credit card income, including annual fees, fell to £72m from £81m a year earlier.

Barclays last night dismissed the idea that the price increases might harm co-operation with retailers over fraud. "It must be as much in the interests of retailers to discourage fraud as it is in ours."

Injunction granted against new drink

THE High Court yesterday ordered the relabelling of Stone's Original Pale Cream, a drink launched in Tesco stores late last year, Philip Rawstorne writes.

Spain's sherry producers complained that the drink's label, which described it as "a select blend of premium British sherry and fine fortified wines from Spain" had been deliberately designed to confuse consumers.

They were granted a temporary injunction against the drink's producer, Matthew Clark and Sons, of Leeds, which also makes Stone's Original Green Ginger Wine. The company denied any attempt to cash in on the sherry name, arguing that the label merely described its contents.

Mr Tony Grayson, Matthew Clark's managing director, said yesterday that the drink was selling well. "The British public seems to like it and that is what matters."

The High Court order allows the company to sell off whatever remains of 15,000 cases of the drink. Mr Grayson said: "We can then 'tweak' the label to meet the requirements set out by the judge in his ruling."

The order will remain in force until the full hearing of a claim by the Spanish sherry producers for a permanent injunction.

Move to cut NHS waiting lists

HEALTH AUTHORITIES are scrambling to meet a government commitment that all patients on hospital waiting lists for more that two years will be treated by April.

The final £3m from this year's £39m waiting-list fund, used to buy extra treatment for health conditions which have long waiting lists, is about to be allocated.

In December 28,197 people had been on waiting lists for more than two years. This figure is now around 20,000.

Health authorities can supplement NHS capacity by buying treatment in Ministry of Defence or private hospitals, although they are expected to keep within the broad NHS cost-structure when doing so.

The attempt to meet the deadline is producing extra work for private hospitals, although leading private-sector health providers say that they are not experiencing a large upsurge in NHS contracts.

The health department said that reports of surgeons being paid excessive fees for extra operations would be investigated if there was firm evidence. So far there had been no proof of abuse.

Judge defers Spens decision

A DECISION was deferred yesterday on whether Lord Spens will be formally acquitted after the Serious Fraud Office's decision not to continue prosecuting him on charges arising from the Guinness affair.

Mr Justice Henry deferred his judgment until an unspecified date after a day of legal argument in private at Southwark Crown Court, London, on Lord Spens' application for a not-guilty verdict and over the issue of costs.

Lilley announces £15m rail research

A £15m collaborative research programme for the railway equipment industry was announced by Mr Peter Lilley, the Trade and Industry Secretary, yesterday.

The DTI said it was the latest in a series of research initiatives under its advanced technology programme.

Commons move for poll on EC fails

By Ivor Owen, Parliamentary Correspondent

MRS MARGARET Thatcher, the former prime minister, joined Conservative Euro-sceptics in the Commons yesterday in an attempt to reopen issues raised by the Maastricht Treaty.

They failed to force a vote on a bill to secure a referendum on the treaty's provisions for European political union.

A procedural manoeuvre, encouraged by government whips, resulted in the debate being adjourned, effectively killing the Referendum Bill.

Mrs Thatcher, who favours a referendum in the event of the main political parties agreeing that sterling should be abandoned in favour of a single European currency, listened to the debate's opening stages.

The efforts by the whips to prevent a widening of divisions in Conservative ranks over the European Community were reflected in a speech last night by Mr Jonathan Aitken, MP for South Thanet.

Acknowledging his role as a "leading Euro-sceptic", he told a meeting in his constituency that he admired and supported the "negotiating success" of Mr John Major at Maastricht.

Mr Aitken is chairman of the policy committee of a group of backbench Euro-sceptics which yesterday issued a statement opposing Britain's involvement in a single European currency. The group warned such a currency could lead to the payment of "massive subsidies" to most other member states.

The statement also advocated Britain's withdrawal from the European Monetary System – a step opposed by Mr Aitken in his speech.

He said: "I do not believe that there are any realistic alternatives for Britain other than to remain at the centre of the EC's policy-making institutions playing our full part in the community."

Mr Tristan Garel-Jones, foreign office minister of state, said it would be an "abdication" of responsibility by both the government and the Commons to hold a referendum.

Accountants granted wider marketing role

By Andrew Jack

COMPANIES *may have to* prepare for a bombardment from accountants after yesterday's easing of the rules governing their use of aggressive marketing techniques.

Chartered accountants offering to sell any service except financial reporting work to non-clients will now be able to make unsolicited visits or telephone calls.

They will also be able to charge contingency fees based on a proportion of the income generated for a client, in work such as corporate finance work or tax advice.

Audit and related services are excluded from the liberalisation, but cold-calling will be acceptable for work including tax and management consultancy.

The revelations come in the latest professional ethics guide issued by the joint ethics committee of institutes of chartered accountants in England, Wales, Scotland and Ireland.

The guidelines offer tightening of regulations in other areas. They frown on the recruitment services which are now offered by many accountancy firms to help audit clients find senior financial and administrative staff. They warn that the final decision on any selection must be made by the client.

No firm should allow the fees from a quoted company or group of companies to exceed 10 per cent of its income. Once the figure rises above 5 per cent, there should be an independent review to ensure there is no threat to the firm's independence. Firms should also seriously consider resigning as auditor if there is litigation with its clients.

No partner or individual closely connected with the partner should hold shares or other beneficial interests in a client. That includes personal equity plans.

The guide recommends that firms should consider rotating partners and other senior staff involved with particular clients to provide safeguards against a loss of independence.

Recommendations on three of the topics for which accountants have received strongest criticism in recent months – insolvency work, discounting on fee income and the valuation of brands – are still being drafted and will not appear at least until the summer.

It does not rule out an auditor conducting other services to a client, but warns: "Care must be taken not to perform management functions or to make management decisions."

Guide to professional ethics. ICAEW, Gloucester House, 399 Silbury Blvd, Milton Keynes MK9 2HL. Non-members £5.95

Ashley Ashwood

Political assault: Roy Hattersley, Labour's deputy leader, yesterday launching a compilation of the party's plans for reforming the criminal justice system. Labour is keen to attack traditional Tory credibility on law and order issues in the wake of rising crime figures.

Labour launches poll tax offensive

By Alison Smith

LABOUR yesterday highlighted what it called the "government incompetence surcharge" on the poll tax. The jibe was made as Mr Bryan Gould, shadow environment secretary, published figures showing that Labour councils had issued more than double the number of summonses for non-payment issued by Tory councils.

Labour's offensive is intended to undermine Tory *assertions that the extra sums* people will have to pay to make up for non-payment – the "other adjustments" figures on poll tax bills – derive from Labour councils' failure to pursue non-payers.

The analysis, giving the numbers of summonses and liability orders for non-payment for each authority since April 1990, shows that the London borough of Haringey had issued summonses to 99 per cent of its entire poll tax register.

"Even allowing that some people have received more than one summons, this is an astonishing total," Mr Gould said. "It is hard to think what more Haringey could have done to collect the tax."

The average number of summonses even for shire districts, the class of authority where the percentage is lowest, amounted to more than a fifth of the total poll tax register.

The number of summonses *in England and Wales now* totalled about 11m, Mr Gould added. He had written to the Guinness Book of Records seeking inclusion for the poll tax as "the greatest debt-collection exercise in world history".

The Tories say Labour councillors who supported non-payment of the poll tax have contributed to collection difficulties, and that those councils which have high non-payment surcharges are those which have traditionally been ineffi*cient at collecting charges.*

A small band voices support for change

James Buxton on constitutional views in Scotland

THIS WEEK several Scottish businessmen did what the Conservative party has been urging them to do for years – they stood up to be counted on the issue of Scotland's *constitutional future.*

Unfortunately, what they said was not what the Tory party wanted to hear.

Nine men who run small and medium-sized businesses launched an organisation called Scotland Says Yes and declared that they were "sick and tired" of the government implying that all Scottish business was totally opposed to the setting up of a Scottish parliament.

They said they and many others were eagerly awaiting the creation of such an institution.

In the past few weeks several of Scotland's leading businesspeople have indeed declared their opposition both to a devolved Scottish parliament and to independence.

This week the big institutions in the financial community expressed – through a survey by Scottish Financial Enterprise, their trade association – strong misgivings about devolution.

They feared higher taxes, and a drift towards independence which would frighten their English customers.

But on Thursday the Scottish council of the Confederation of British Industry met at Stirling Castle and produced little comfort for the Tories.

Mr Alasdair MacCallum, its chairman, said it strongly disliked aspects of a devolved Scottish parliament, notably higher taxes, and detested independence, but it had concluded that "some change is inevitable and, many people believe, desirable".

Mr Nigel Smith, one of the founders of Business Says Yes, runs an engineering company in Glasgow employing 36 people. He said he voted Conservative in most general elections. He believed a Scottish parliament would be very good for Scottish business.

"Britain is highly centralised. Even though we've got a lot of administrative devolution to the Scottish Office in Edinburgh, policy is decided in London. To influence it we've *got to go through the London* lobbying structure, which is very difficult for a small business based in Scotland.

"Now if we had a Scottish parliament, policy would be decided in Edinburgh. There'd be committees and sub-committees to which we'd make our case. It would have to be responsive to our needs," he said.

Furthermore, Mr Smith argues, the creation of a Scottish parliament would end what he calls the "disenfranchisement" of much of the Scottish business community. "If I say something in favour of free enterprise, I'm automatically identified with the Conservative party and that means being identified with England. I'm immediately struck out as a serious contributor."

In a Scottish parliament, elected by proportional representation, he said, there would inevitably be a right-of-centre party with Scottish roots which would present the business point of view.

Proportional representation would curb the excesses of left and right, Mr Smith said, and far from imposing higher taxes, as the Tories claim, it might lower them to stimulate business and generate extra revenue.

Large Scottish businesses, however, especially Scotland's quoted companies, tend to favour the constitutional sta*tus quo* – though few have declared themselves. The people who run them often consider themselves part of the British establishment and have lobbying channels through contacts in London and in the City.

The contorted response of the Scottish CBI, which failed to say what constitutional arrangements it actually wanted, might reflect divisions between larger and smaller companies.

But it also highlighted the lack of communication between the business community and the advocates of constitutional change.

Mr MacCallum, the chairman, admitted: "We've come *into the debate a little late.* That is regrettable."

The Scottish Constitutional Convention, which has been working on a blueprint for a *Scottish parliament* since 1988, is dominated by Labour and the Liberal Democrats, having been boycotted by the Tory party and the Scottish National party. The CBI chose not to participate, although the Scottish Council Development and Industry, which also represents business, attended as an *observer.*

Mr Smith said: "Business was very wrong not to enter the convention." One result, he said, was that the convention's blueprint included "baggage from the 1970s", such as the possibility of nationalisation, which might otherwise have been vetoed.

For their part the supporters of devolution do not appear to have made much effort to persuade large companies and financial institutions of the possible benefits of a Scottish parliament.

Mr Donald Dewar, shadow Scottish secretary, has not been on a prawn cocktail offensive around Charlotte Square, Edinburgh.

Indeed, when Scottish Financial Enterprise this week reported the fears of the 25 financial institutions which account for 80 per cent of the employees of the Scottish financial sector and 80 per cent of its funds under management, Mr Dewar simply derided the response to the survey as "tiny." He did not offer them any reassurance.

THE PRIME MINISTER will today launch the Tories' fight-back in Scotland with a clear warning to the country's electorate that the survival of the union with the rest of the UK is "more important" than party politics, Ivo Dawnay writes.

Mr John Major will use a campaigning speech to Tory parliamentary candidates in Glasgow to rally them behind a "fight for the union", stressing that Scottish Conservatives must speak with one voice to get their message across.

Downing Street said he would repeat his warning, made earlier this month, that the advocates of devolution or independence had told the people "the prize but not the price".

Generators warned on cheap coal imports

By Charles Leadbeater, *Industrial Editor*

LABOUR yesterday warned electricity generators that investments in port facilities to import *cheap foreign* coal would become "white elephants" under a Labour government.

Mr Frank Dobson, the party's energy spokesman, said he was confident that the European Commission would allow a Labour government to block imports of cheap foreign coal.

He said the party was determined that PowerGen and National Power, the electricity generators, would follow such policies. The party was prepared to use the state's remaining 40 per cent shareholding in the generators to make sure they do so, he said.

This meant that PowerGen's plans to invest in coal import facilities, such as the deep-water dock at Immingham on the North Sea coast, would become "white elephants", Mr Dobson *said.*

He was responding to a letter from Sir Graham Day, PowerGen chairman, requesting further information on how Labour planned to make sure the generators followed a government energy policy.

Mr Dobson said on Thursday night that Labour could use the state's 40 per cent shareholding in National Power and PowerGen to appoint directors.

Sir Graham pointed out in the letter that the government had no special powers to appoint directors. He said that any directors it elected using its shareholding would be legally bound to protect the interests of all shareholders.

The clash, the first direct conflict between a Labour spokesman and the management of one of the privatised *generators, could set the scene* for a trial of strength over energy policy if Labour wins the election.

Party officials played down the significance of Mr Dobson's remarks. Labour has no plans to explore whether the government could appoint directors to influence policy at other privatised companies. The main thrust of the party's approach would be to strengthen the role of independent regulators, officials said.

Mr Dobson said he was reiterating well-established Labour policy that it would seek to persuade the generators to abide by plans to reduce coal imports and invest more in renewable energy sources.

UK NEWS

Bank creditors may be paid £1.29bn

A COMPENSATION deal has finally been agreed between the liquidators of Bank of Credit and Commerce International and its Abu Dhabi majority shareholders which could lead to the payment of as much as \$2.2bn (£1.29bn) to creditors.

The deal is dependent on agreement from creditors owed \$7bn between them, and will need court approval in England, Luxembourg and the Cayman Islands. Mr Brian Smouha, one of the bank's liquidators, said yesterday that reaching the \$7bn target was likely to prove difficult, given that total liabilities amount to \$10bn. Also, many creditors are unlikely to come forward given the large amount of "black" money in the bank linked to tax avoidance, drugs and terrorism.

Majority shareholders from Abu Dhabi will pay a flat \$1.7bn in compensation. The figure could rise to as much as \$2.2bn if claims exceed \$10bn, or fall to as little as \$1.2bn if they are less than \$10bn.

In return, the majority shareholders and the liquidators have agreed to drop all possible claims and counterclaims. Creditors will have to sign over all legal rights before they can benefit.

The BCCI depositors' association warned creditors yesterday not to accept the offer until it had been studied in more detail. "We are not very happy," said Mr Mourad Fleming of Richards Butler, a lawyer acting for the association. "Creditors are being asked to give up very considerable rights. But we can't possibly say yet [whether the terms are attractive]."

Richard Waters

A deal of sense and sensitivity

"It's not a cover-up or anything like that," says Mr Brian Smouha, the Touche Ross partner overseeing the worldwide winding-up of BCCI. "This is meant to make peace with the United Arab Emirates."

Mr Smouha is sensitive to criticisms of a cover-up. He has just hammered out a deal under which BCCI's majority shareholders in Abu Dhabi, part of the UAE, will pay out up to \$2.2bn (£1.26bn) to the bank's creditors. But the structure of the deal, and the lack of transparency so far as to how it has been negotiated, are already prompting criticism. Discussions with creditors in the weeks ahead – and applications for court approval in London, Luxembourg and Grand Cayman – will determine whether it takes effect.

From the information published so far, it is impossible to tell whether the deal is a generous one for BCCI's creditors – as both Mr Smouha and the Abu Dhabi camp claim. It involves the bank's liquidators and its majority shareholders giving up claims and counter claims against each other, in return for which Abu Dhabi will pay \$1.7bn to creditors (an amount that could rise or fall by as much as \$500m, depending on how what the eventual liabilities of the bank are determined to be.)

Weighing up the claims and counterclaims is not easy. The liquidators, led by Mr Smouha, have agreed to give up their claims under \$3.061bn of promissory notes issued by Abu Dhabi. The notes were given at the time of a proposed restructuring of the bank a year ago, so a legal question remains as to whether Abu Dhabi remains liable given that the restructuring was never completed. Also, the notes would have been payable over a seven-year period, reducing their present value.

Abu Dhabi was also potentially liable for about \$1bn of guarantees given to the bank.

There are various unquantifiable further claims that could be made against Abu Dhabi. One of its representatives was a BCCI board member and has been identified by Price Waterhouse, the bank's auditors, as someone who was aware of the frauds at the bank before they became known to regulators and auditors. In return for accepting the deal, depositors will be asked to sign away rights "against the majority shareholders of BCCI and certain related persons".

Potential claims the other way – against the bank by the majority shareholders – are equally difficult to establish with any certainty. Abu Dhabi has agreed to take on the United Arab Emirates branches of the banks, which are estimated to have gross liabilities of about \$1.5bn. This appears to reduce the liabilities of the rest of the group, and so increase the payout to depositors. However, assets in the UAE branches, which will also be taken on by Abu Dhabi, are estimated to amount to 10 per cent to 15 per cent of the liabilities. This is about the same proportion as in the rest of the group. The result: stripping out the UAE branches has no overall effect on creditors.

However, once it assumes responsibility for the UAE, Abu Dhabi will actually have a \$700m claim against the rest of the bank, allowing it to claim as a creditor and share in its own compensation fund.

Abu Dhabi has also said it will give up rights over about \$2bn of funds which were held under management by the bank and were misappropriated by its directors. As one of these directors was an Abu Dhabi representative, though, it could have been difficult to recover this money through legal means.

Even the \$1.7bn or so of compensation is not being paid immediately, but over a period up to June 1994: that reduces its present value.

Richard Waters

Trevor Humphries

Last rites: a BCCI branch in central London is stripped of its fixtures and fittings

A 'market' rate of £127 per hour and business trips via Concorde

BCCI LIQUIDATION COSTS BREAKDOWN
July 6 1991 - January 6 1992

	UK £m	IoM £m	Caymn \$m	Luxmbg \$m
Liquidators' fees	25.7	0.4	12.0	11.2
Legal fees	8.3		5.4	5.7
Disbursements			0.4	
Agents & security	3.5			
Staff costs	2.5		0.7	4.7
VAT incurred	4.8			
Establishment, rent, insurance	2.2		1.1	1.0
Capitalisation payment	2.7			
Other	2.0	0.1	2.1	2.2
Total	49.7	0.5	21.7	24.8

Grand total £77.4m*

* £1 = \$1.71 — Source: Touche Ross

THE CALM face of Mr Brian Smouha tensed just slightly yesterday at the mention of the fees Touche Ross has charged for its work as provisional liquidator of BCCI.

When Touche revealed at a court hearing in January that the bills had reached £75m, it provoked a storm of indignant criticism. Only after the announcement of the settlement on Friday was the firm willing to say anything more.

Yesterday it made up for the silence by releasing a great deal of detail, including a three-page document showing Mr Smouha's daily itinerary from July 5 last year to February 11 this year.

Mr Smouha readily admitted that he had flown by Concorde during the course of his work. His schedule shows journies in quick succession between London, the US, Luxembourg and the Gulf.

"It was a question of survival," he said. "I was trying to be in more than one place at the same time, and in a state to do the work. It's not easy trying to organise something with meetings in New York, the Caymans, Abu Dhabi."

He also agreed that his staff based in Abu Dhabi had flown to holiday destinations periodically, and one man had flown back to the UK to visit his pregnant wife.

"Most people in Abu Dhabi were working 12-hour days, six days a week," he said. "You need to keep people performing at the highest level they can." Without holidays, he said, "you start getting a very poor product very quickly".

As the table shows, not all the costs incurred went to the liquidators. Legal fees consumed about 7 per cent of the total. VAT and security charges were also significant.

However, the vast share of the bill is for work conducted by Touche. It says it had charged 281,062 hours in the UK on the worldwide liquidation by January 15, at an average rate of £127 per hour. Of those hours, 210,909 were spent on the UK liquidation in the same period at an average charge-out rate of £114 per hour.

"We used what I think are the market, commercial rates," said Mr Smouha. "We used the best quality of people and not just anyone who was available."

He said he was trying to reduce the hours charged on BCCI work as fast as possible and hoped soon to cut the number of staff substantially. But he said work to date had required a great deal of staff time dealing with thousands of creditors and depositors and continuing to run the bank.

Under UK insolvency law, the figure needs to be approved by a creditors' committee, but this does not apply in the case of BCCI because the company went into liquidation in Luxembourg. Mr Smouha said that the court has to provisionally approve the fees charged.

Andrew Jack

Move to widen role of friendly societies

By Scheherazade Daneshkhu

A BILL to create a new legislative framework for friendly societies was published yesterday.

The government bill would enable friendly societies – ranging from industrial assurance funds to those that are mainly social or philanthropic – to provide a wider range of services. It should also allow them to compete on more equal terms with other financial institutions.

It would establish a new regulatory framework including a Friendly Societies Commission. Societies would also be brought within the scope of the Policyholders Protection Act 1975, the investor-protection scheme covering insurance policyholders.

The bill would enable friendly societies to incorporate and establish subsidiaries to provide various financial and other services to their members and the public.

These would include: managing unit and investment trusts and personal equity plans; arranging credit; long-term or general insurance business; insurance intermediary services; administering estates and executing will trusts; managing sheltered housing, homes for the elderly and hospitals; providing fund management services for pension-fund trustees.

The investment funds of friendly societies are free of tax within certain limits. For instance, the amount an investor can put into a tax-free friendly society savings scheme is £200 per annum.

The bill was welcomed by Mr Peter Gray, chairman of Tunbridge Wells Equitable, the largest friendly society, and secretary of the Friendly Society Parliamentary Committee. "Our competitors have had a tremendous advantage over us and we need the same sort of fiscal incentives. The government has given them tax breaks such as tax-exempt special savings accounts and Peps. What do they give friendly societies? £200 a year."

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Victims of disinflation

JOHN MAJOR is in the best possible company. Mr George Bush may have been victor in the Gulf war and presided over the disappearance of the Soviet Union, but neither achievement saved him from a mauling at the hands of Mr Patrick Buchanan in the New Hampshire primary. Meanwhile, the Japanese government sinks ever deeper into the swamps of financial scandal.

Mr François Mitterrand's Socialist government seems doomed to lose the next parliamentary elections, while only the peculiarities of Italian electoral politics can save Mr Giulio Andreotti's despised coalition. Mr Bob Hawke, Australia's long-serving prime minister, has been defenestrated. Meanwhile, Mr Brian Mulroney's Canadian government may be the most unpopular of all, with less than 20 per cent support in opinion polls.

The unpopularity into which so many governments of leading market economies have fallen is no accident. It reflects the current disinflationary stage of the global economic cycle. Canada, for example, has just announced annual inflation down to 1.6 per cent. Who can wonder that its government is so unpopular?

The credit-driven economic expansion that has now come to its painful end everywhere began in the US almost 10 years ago. But the weakness of the US dollar, which started in 1985, and especially the intervention aimed at halting the dollar's fall in 1987, loosened monetary policy elsewhere. Japan discovered the delights of the "bubble economy"; the UK enjoyed "the Lawson boom"; and even the Bundesbank tolerated interest rates lower than it would have preferred, briefly easing its iron grip on the rest of Europe.

Slow growth

When economies are good, they are very, very good, but when they are bad, they are dreadful. In the expansionary stage, growth tended to be stronger than expected. As is their wont, policy-makers thought the early stages of an inflationary process proved their brilliance. The greater their self-confidence, the more they allowed domestic policy to reinforce the global expansion.

As recently as 1989, every important economy was growing quite rapidly. Now they are all either growing slowly or contracting. But the slowdown in between has been unsynchronised.

It started where the expansion had begun, in the Anglo-Saxon economies. A combination of tight money and overindebtedness brought the US and UK economies into recession by late 1990. Japan's economy raced ahead, despite successful, if belated, efforts of the Bank of Japan to prick the bubble, starting in 1989. But all good things come to an end. Japan's economy has been slowing rapidly in 1991, if still to rates that others envy.

Bundesbank's vengeance

Since the Bundesbank tightened monetary policy as early as 1988, Germany largely escaped the global credit expansion. But the unification of Germany has forced the Bundesbank on to a long inflationary deviation from the path of monetary rectitude. Having now imposed three successive quarters of contraction, the Bundesbank is back on course with a vengeance.

The US led the world economy into recession. It is likely to lead it out of it. In his semi-annual Humphrey-Hawkins monetary report, Mr Alan Greenspan, chairman of the Federal Reserve, predicted that the US economy would grow modestly this year. Unemployment would soon begin declining and the inflation outlook was the best for a generation. Mr Bush should no longer complain about Mr Greenspan's zeal in his cause.

Elsewhere, policy is less expansionary. The Bank of Japan tightened too late and has loosened too slowly. It could well be underestimating the force of debt-deflation. If the British Treasury is still determined to commit that error, it makes little difference, except to the quality of its forecasts. The Bundesbank is unlikely to permit Europe to do much about the recession until it is confident German inflation is well under control, perhaps in the second half of the year.

A strong global recovery may take as long to arrive as the slowdown. In the meantime, the world economy will remain on a knife edge. The refusal to resort to inflation as a way of liquidating the excessive lending of the 1980s is praiseworthy, but the risks of not doing so are considerable.

Many are taking the wish for the deed and are already hailing the virtual elimination of inflation. Should governments keep their nerve, the achievement is, indeed, within their grasp. Yet the achievement would have its costs. One is unemployment, which may prove transitory in some economies, but will be longer lasting in others. Another could be the disappearance of most of the governments that initiated the disinflation, with Mr Major among the first in the firing line. Disinflation is a fine thing. But politically, it may well be best for oppositions.

Roger Matthews on the shaky prospects for a Middle East peace

Realism in retreat

Talking of peace while watching the seeds of conflict grow is a Middle East trait that seems to survive even the worst conflicts.

A year ago next week, when small, rich Kuwait was liberated, the Middle East looked less militarily threatening than it had for decades and Mr George Bush seemed guaranteed a second presidential term. Twelve months on, there are still peace talks on the agenda. But with the latest round scheduled to start on Monday, the guns are firing again and the achievements of the Gulf war have become much less obvious for the Middle East in general and Mr Bush in particular.

The defeat of Iraqi forces in Kuwait had offered the region much more than just the chance to rid itself of a tyrant, while Mr Bush had the opportunity to capitalise on the triumph of becoming the US leader who presided over the joint burial of communism and the bitter memory of Vietnam. Logic alone suggested that after such a huge international effort, the Middle East would not to be allowed to fester and erupt in the same way again.

There were positive changes. For the first time in its post-colonial history, the Middle East was demonstrably free from superpower rivalry, Israel had been persuaded to exercise wholly uncharacteristic military restraint and there was talk in western capitals of moving towards a resolution of some of the Middle East's worst political injustices and economic disparities. If there was to be a new Middle East order, Mr Bush and Mr James Baker, the secretary of state, were uniquely placed to be both architects and guarantors.

Those hopes have dissipated with alarming speed. After the events of the past week, not least in New Hampshire, the defeated President Saddam Hussein is crowing about being more secure in Baghdad than the victorious Mr Bush is in Washington. Israel's assassination of Sheikh Abbas Musawi, the Shia leader in southern Lebanon, and his family has inflamed not just his local community but sent a message to Moslem communities throughout the Middle East. Israeli tanks have subsequently brushed aside UN peacekeeping forces and punched deeper into southern Lebanon in what is certain to be another doomed attempt to impose political compliance through military punishment. The US is meanwhile still trumpeting its pursuit of Saddam Hussein, is threatening tougher action against Libya and has supported the cancellation of elections in Algeria.

Shamir: chance to rob Rabin of some of his appeal

Taken individually, each event has its particular motivation. Taken severally, it is small wonder that the region's radicals think they are poised to claw back much of the ground conceded to the US and the more moderate Arab regimes at the time of the Gulf war. They argued then that the US viewed the Gulf conflict primarily as an opportunity to crush Iraq and to ensure that a pliant Saudi Arabia would ensure cheap long-term oil supplies. They insisted that beyond the borders of Israel, Mr Bush cared little for the people of the region, would make scant efforts to assist domestic victims of Saddam Hussein's aggression and never intended to offer more than a token effort to resolve the Palestinian issue. The extremist propaganda image of Israel and the US jointly beating their Arab opponents into submission retains more potency among some populations than anything which can be advanced by America's friends in support of their relationship.

Against this background, Palestinians, Syrians, Jordanians, Lebanese and Israelis gather in Washington on Monday for a third round of bilateral negotiations which, as the participants are all too well aware, look increasingly at odds with the political mood of the Middle East.

The peace process, launched in Madrid at the end of last October, reflected primarily the changed strategic circumstances of the participating nations. The collapse of the Soviet Union had left the Palestinians and Israel's Arab opponents without a sponsor or protector. President Hafez al-Assad of Syria, hitherto Israel's most durable enemy, saw a compensating degree of protection by acceding to US requests and agreed to negotiate, pulling Lebanon with him.

Mr Yitzhak Shamir, Israel's prime minister, came with even greater reluctance, stressing that Israel would not concede an inch more of the land it had occupied since 1967 and could offer nothing other than peace in return for peace. To reinforce that assertion, Israel accelerated its house building programme in the occupied territories and saw nothing contradictory in simultaneously asking the US to guarantee loans of $10bn needed to settle immigrants from the former Soviet Union.

After all this, Israel still suffers a credibility gap. Its problem is that the US and other western governments prefer to interpret Mr Shamir's most hardline statements as negotiating positions rather than simple statements of conviction. When Mr Shamir says that Jews must forever have the right to settle in the biblical lands of Judea and Samaria (the West Bank) it should be supposed he believes that as fervently as he does in a united Jerusalem under Israeli sovereignty. There is nothing contradictory for Mr Shamir in sending tanks into southern Lebanon while protesting a determination to secure peace. Mr Menahem Begin, the former Likud prime minister, ordered a far larger invasion of Lebanon in 1978, only a few months after President Anwar Sadat of Egypt opened prospects for peace by becoming the first Arab leader to visit Israel.

These attitudes do, however, pose problems for the Bush Administration. Mr Shamir was on Thursday night re-elected as leader of his Likud party and will go into the June general election as the favourite to win. If he is successful there is no justification for Arab governments to expect anything more than the most modest flexibility in Likud policy. A victory for Mr Yitzhak Rabin, newly returned to lead the opposition Labour party, would, on the other hand, open the way to the offer of some form of autonomy for the Palestinians in the West Bank and Gaza, although Mr Rabin's chances of winning depend on him appearing to the electorate to be almost as tough as Mr Shamir. If the election result is indecisive, as it often has been in the past, the two men would probably work together in a national unity government.

A politically astute Mr Shamir does, however, have the opportunity this week to rob Mr Rabin of some of his electoral appeal. He can put on the table in Washington the framework of an autonomy agreement for the Palestinians along the lines of the Camp David accords reached during the negotiations with President Sadat in 1978. This will simultaneously improve relations with the US. It will not answer Palestinian aspirations for self-determination, but it would assist the negotiating teams by indicating there was some longer-term purpose to the peace process.

But if Mr Shamir wishes to contribute additionally to the pressures which will eventually provoke the collapse of the peace process, then he will instruct the Israeli team in Washington next week to avoid any proposals on substantive issues. He knows the Arab delegations must be getting near the brink. Syria and Lebanon boycotted the multilateral phase of the process in Moscow earlier this month in protest at Israel's refusal to concede the principle of exchanging territory for peace. With the alarm bells ringing again in Damascus over Israel's latest incursion into Lebanon, President Assad must be finding it increasingly difficult to reconcile participating in the peace talks. There are similar tensions in the Palestinian camp.

They would, of course, rather stay within the process. To pull out serves not just Israel's hawks but extremists throughout the Arab world. But there comes a point when the domestic dangers may be judged to be greater than the international blame that would attach to withdrawal.

Mr Assad, King Hussein of Jordan, Yassir Arafat of the PLO and those other Arab leaders and regimes that came to power in the late 1960s and early 1970s have not clung to the tops of their greasy poles for so long without accurately sensing political movements in the region. Historically, it has been easier in the Arab world to whip up and sustain popular support through anti-Israeli and anti-American rhetoric than through any other form of political agitation.

The Gulf war added to the personal, political and economic misery of tens of millions of people in the region. That misery continues and is growing. At grass roots, the political ground is being more surely prepared for extremism than it is for the more pragmatic realism that seemed possible a year ago.

Radio for new world order

George Graham on the changing role of Voice of America

When Voice of America, the radio service established and financed by the US government, began broadcasting on February 24 1942, the news was almost all bad: Japanese armies pressed onwards in the Pacific, and Germany moved deeper into Russia.

Fifty years later, the news is good: the US has declared victory in the Cold War and Voice of America can claim at least part of the credit for what American politicians describe as a victory over "imperial communism".

In its hour of triumph, however, VOA must face a new debate over its role, its usefulness and its cost.

As new, independent broadcasters start up in eastern Europe and the former Soviet Union, the need for the US to maintain its broadcasts is questioned by American critics, mainly from the right of the political spectrum. They always found it anomalous that the ideals of the free market should be spread by a Voice of America controlled by the US government.

VOA, according to Mr Robert Coonrod, its deputy director, is already adapting both its programming and the way it delivers its message.

"It is clear to us from the anecdotal information we get that what audiences need and want is quite different today from what they were looking for three or four years ago," he says.

According to Mr Coonrod, basic news on what is happening on a day-to-day basis is being satisfied by the local media. He sees Voice of America's role as supplying interpretation, analysis and context. He cites a recent series on "Democracy in Action", designed to provide practical information for citizens of a new democracy.

At the same time, VOA is building on its traditional short-wave broadcasts into eastern Europe and seeking to reach a larger audience by providing higher quality FM broadcasts. To achieve this, it is developing affiliations with local broadcasters, which it supplies with programmes.

But is VOA, which has never quite shaken off the image of being a weapon of the Cold War, ideally structured to meet these new needs?

Like its UK counterpart, the World Service of the British Broadcasting Corporation, VOA is financed by the government. Unlike the BBC, it is administered by a government department, the US Information Agency. Mr Kim Elliott, director of VOA's research department, acknowledges that in many markets the BBC's reputation beats that of his own service.

"The BBC is considered a more reliable source of news than VOA," he says.

But Mr Coonrod believes this perception is based on a misunderstanding. He complains that VOA's critics confuse its news broadcasting, which is impartial and independent, with its editorials.

In fulfilment of its charter, VOA must "present the policies of the United States clearly and effectively". It does so by means of a daily signed editorial, which is vetted beforehand by the State Department.

In many markets the reputation of an international radio service is also linked to the strength of its radio signal.

In the past, VOA has concentrated much of its effort on eastern Europe and the Soviet Union. It is much weaker than the BBC in regions such as the Middle East and Africa – where it lost its principal transmitter during the Liberian civil war.

It is in the Far East, however, that the next main battleground may lie. Since the Tiananmen Square uprising in the spring of 1989, US politicians have sought ways of bringing more independent news to the airwaves of China.

The argument has been over whether this should involve stepping up VOA's Chinese services, or setting up a new station like Radio Free Europe or Radio Liberty.

These stations, like Voice of America, are funded by the US government. But they provide more detailed news of the countries they broadcast to and are intended to act as "surrogates" for the local radio stations.

The State Department has argued that a Radio Free China would unnecessarily antagonise the Chinese government. VOA, meanwhile, argues that it could provide a much expanded coverage with the money needed to set up a new radio station.

In December, a presidential taskforce chaired by Mr John Hughes, a former VOA director, came down in favour of creating a Radio Free Asia, principally targeted on China, but also broadcasting to countries such as Burma and Vietnam.

The proposal draws an enthusiastic response from Mr Malcolm S Forbes Jr, the magazine editor who, as chairman of the Board for International Broadcasting, oversees and allocates funds for Radio Liberty and Radio Free Europe. "We can have a tremendous impact for what amounts to pennies per person," he says.

But while the proposed Radio Free Asia may be seen as VOA's rival in the battle for pride of place in the broadcasting onslaught on China, Mr Forbes urges politicians to provide money for both.

"Some day, policymakers may understand that this is a very effective weapon that has been grossly underused. If the US wants to avoid another round of isolationism, this is an extraordinarily cost effective way to do it."

MAN IN THE NEWS

F W de Klerk

Political gambler raises the stakes

By Patti Waldmeir

Mr F W de Klerk, the South African president, is asking his white countrymen to do what voters everywhere hate doing: face reality. He is counting on them to show – through a referendum held within the next three weeks – that they reject the apartheid fantasies of the past and accept the inevitability of black rule.

But for a people fed with deluded notions of racial superiority for hundreds of years, the prospect of a multi-racial future is terrifying. Mr de Klerk is gambling that reason will triumph over fear in white hearts. If he is right, South Africa will have taken another huge leap towards a democratic and peaceful future. If he is wrong, the consequences could not be more dire; the white supremacist Conservative party would take power, the African National Congress (ANC) would do its best to launch a revolution, and South Africa would descend again into chaos.

It is a gamble to take one's breath away, and just the sort of bold move which so delights the president. He could easily have avoided such a showdown. With a huge majority in parliament, Mr de Klerk's National party could have dismissed its loss in this week's Potchefstroom by-election as no more than an embarrassment. Mr de Klerk could have blamed the result on the dismal state of the economy. But that is not his style.

He argued in Cabinet for immediate action to staunch the flow of white voters to the Conservatives, who have won a steady series of by-elections since the 1989 general election. Some ministers argued against a referendum now. With constitutional negotiations only just under way, there is no outline yet of a power-sharing deal to calm white fears. With the economy in a three-year recession, crime and violence occupying every white mind, and the added misfortune of drought, this is hardly the time to ask for a vote of confidence in Nationalist rule.

But Mr de Klerk believes he has the nation's confidence. He trusts his abilities as a leader, his vision of a future where blacks rule but do not dominate, his commitment to the Afrikaner nation from which he springs. He vowed to demonstrate it through a referendum, rather than tolerate the daily jeers of Conservative members of parliament, who claim he no longer represents most whites.

It was a political decision to call the Conservatives' bluff on the issue of white support. Without firm white backing, he cannot negotiate from strength on a new constitution. And if he can trounce the Conservatives in a referendum, he will cut the political ground from beneath their feet, and help defuse the threat of right-wing terrorism.

But it was also, as Mr de Klerk said, "a question of honour". For this is a *broedertwis*, or family feud among Afrikaners. Right-wing Afrikaners often taunt Mr de Klerk with the charge that he has betrayed his nation by dismantling the superstructure of apartheid, created to protect the language and identity of the Afrikaner as a island in a sea of black cultures.

For his part, Mr de Klerk argues that the Afrikaners' only hope lies in accepting change before it is forced on them through revolution. If the Afrikaner cedes power now, he will still be left with enough influence to protect Afrikanerdom in perpetuity.

He is convinced that apartheid, which remains the platform of the Conservative party, could never survive the force of numbers ranged against it: 28m blacks, 5m whites. He acknowledges that most whites still prefer apartheid; they want to live with their own kind in a culture which reflects white values. But, as the president told the voters of Potchefstroom last week, apartheid is no longer an option. The grand strategists of apartheid – former prime ministers such as Hendrik Verwoerd and John Vorster – demonstrably could not make it work: Mr de Klerk asked voters to judge whether Mr Andries Treurnicht, the rather insipid leader of the Conservative party, could do any better.

Mr de Klerk has not renounced apartheid out of the goodness of his heart; he is haunted by an apocalyptic vision of the consequences of pursuing it. He believes it would make race war inevitable. As he told senior policemen two years ago, "if this Armageddon takes place and blood flows ankle deep in the streets and four or five million people lie dead – the problem will remain exactly the same as before the shooting started." That explains his conversion to multi-racialism: the alternative was too ghastly to contemplate.

Last week the president urged the voters of Potchefstroom to put aside their preference for racial purity and vote for the policy they thought would work. It was surprisingly honest counsel from a politician – and hardly the stuff to win him many accolades.

Now he will put the same choice to the national electorate. The referendum question has yet to be written, but it will certainly be formulated to guarantee maximum positive response. Voters will probably be asked whether they support peacefully negotiated change – the Conservative party currently refuses to negotiate with black groups – and may be asked for a vote of confidence in the president himself. Either way, the Nationalists are confident they will win, perhaps by a substantial margin.

They were also confident about Potchefstroom. But a referendum is not a by-election: the Nationalists can manipulate the referendum question; and Mr de Klerk's promise to resign if he loses will concentrate the minds of voters on the consequences of a "no" vote. Many will shy away from the prospect of a Conservative government; they may prefer an uncertain future under the Nationalists to the certainty of race war.

Recent opinion polls also give Mr de Klerk cause for optimism. Last week's Sunday newspapers carried a poll showing 63 per cent support for the president among whites, against 15 per cent for Mr Treurnicht. And the Conservatives' election pitch is hardly alluring: they offer racial purity, but at a price. "We must make a choice between the survival of the Afrikaner volk and two cars in the garage. If sacrifices are required of us we will make them," a party spokesman vowed recently.

With luck, Mr de Klerk's gamble will pay off. He will have proved that he is not prone to the Gorbachev malaise: a leader estranged from his people, more popular abroad than at home. But if the Gorbachev parallel is correct, and Mr de Klerk is ousted from power, South Africa will retreat into a feudal past where violence prompts repression, engendering more violence. For most South Africans, that is the stuff of which nightmares are made.

Fine line between risk and reward

The slowdown in the global economy contrasts sharply with the performance of leading financial markets. **FT writers** examine the opportunities and threats confronting investors

The world economy is steeped in gloom and yet investors on Wall Street, in Frankfurt and in Paris are making hay.

Over the past few months, the world's leading economies have converged towards low inflation and low or no growth. At the same time, financial markets, most notably the globe's leading equity markets, are moving increasingly out of synchronisation with economic developments and each other.

In a world of free-flowing capital markets, investors have, therefore, to decide whether this divergence between fundamental economic performance and financial market trends is an opportunity or a threat. If, as seems likely, the industrialised world is moving into a decade of slow growth after the debt-financed excesses of the late 1980s, individuals and institutions alike have to weigh carefully the choice among equities, bonds and cash.

As the panel of pundits below makes clear, recent stock market trends point to a strong groundswell of optimism in centres as diverse as New York, Frankfurt and Paris. Even in Tokyo, where the

Investors' fortunes will depend on whether Wall Street is properly valued and whether Tokyo can pull out of its slough of despond

mood among investors has been one of almost unrelieved gloom as the economy weakens, there is a widely held view that share prices are due for recovery in the spring.

However, there are some warning voices, including that of Mr Roland Leuschel, chief investment strategist of Banque Bruxelles Lambert in Brussels. Mr Leuschel, who was one of the first to forecast recession in the US and Britain and the current slowdown in Japan and Germany, says: "We have never been so near to a world economic crisis as now." He believes that Mr Alan Greenspan, the US Federal Reserve chairman, is "walking on a razor's edge". US share prices could come crashing down if the economy does not pick up. Alternatively, the Fed's present low interest rate policy could fuel inflation, weakening the bond market, and eventually undermining equities.

Certainly, there has been no shortage of grim economic news over the past week. Britain's recession is officially recognised as the longest since the Second World War. In Germany, gross national product has fallen for three successive quarters. Japan's Economic Planning Agency now considers the economy in recession although the bad news in Tokyo amounts to no more than a hiccup in US or European terms. Although Mr Greenspan predicted this week that there would be an early US recovery, the voters in Tuesday's New Hampshire primary left Washington and the world in no doubt about their disenchantment with the US recession.

And yet just as the citizens of the New England state were giving President George Bush a bloody nose, the equity markets in New York, a few hours' drive to the south, were gathering strength for another upwards move. On Thursday, the Dow Jones Industrial Average topped its previous historical peak to close at a record 3,280.64, up more than 50 points on the day.

Other equity markets have also ignored bad news. German shares have gained nearly 9 per cent in the past six weeks. Yesterday they registered their highest closing level for 18 months when the 30-share DAX index reached 1,717.63 points. Shares in France have also surged ahead to levels last seen before the Gulf crisis began in August 1990. The CAC 40 index closed at 1,962.37 yesterday, 12 per cent higher than its level at the start of this year. In the Netherlands, too, shares have been rising to their highest levels for two years.

Britain is something of a special case. In recent weeks, the *FT-SE 100* index has fluctuated between 2,500 and 2,560 points, well below last September's high of 2,679.6. Analysts see little hope of a clear trend until after the election, generally expected on April 9. Hopes of an eventual economic recovery are having to do battle with pre-election uncertainty, disappointment about continued high interest rates and declining earnings.

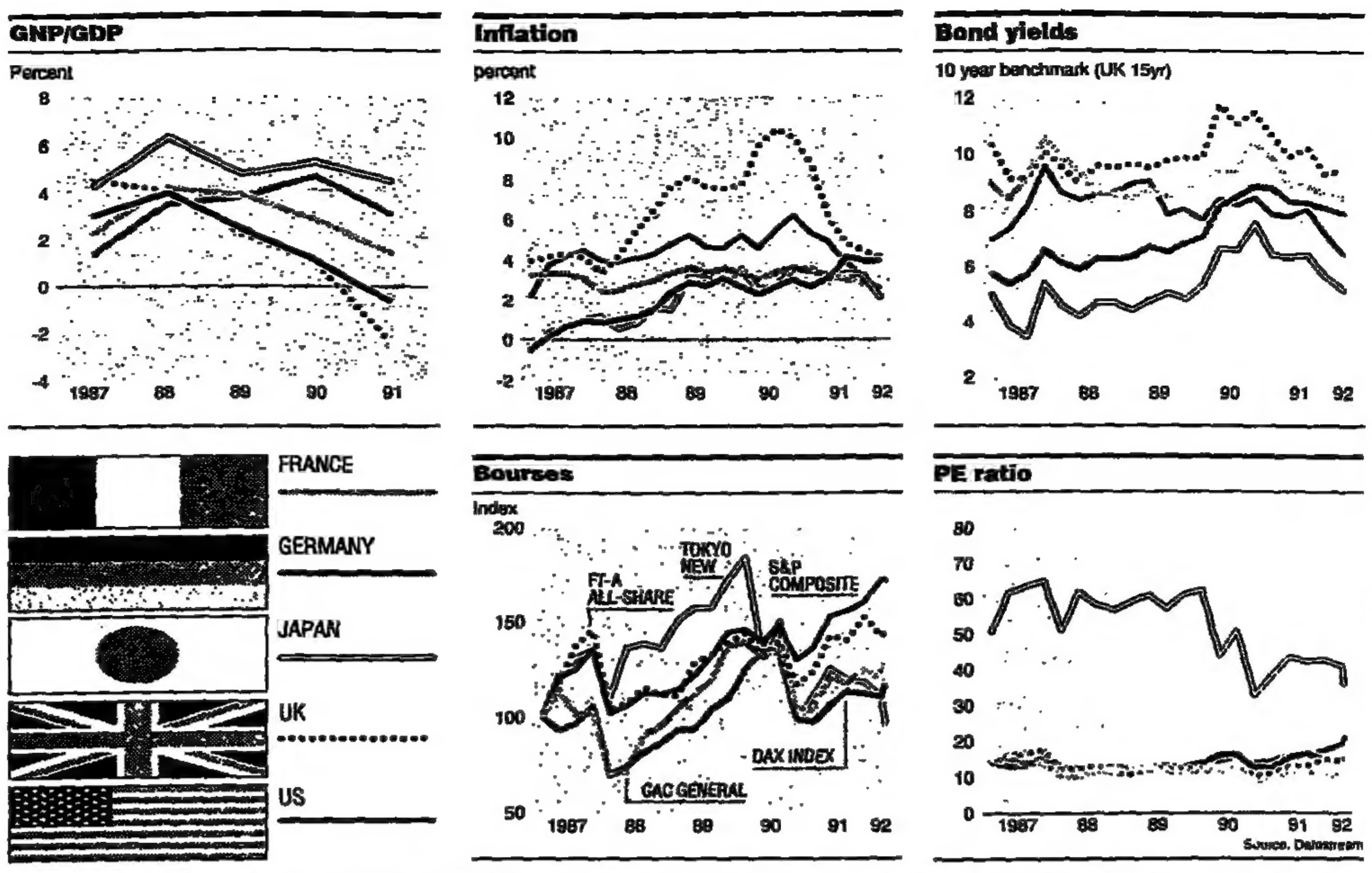
Of the main markets only Tokyo has signally failed to catch the party mood. There the Nikkei index is trading close to its lowest levels since the collapse of the bull market of the 1980s. There are few sellers at these depressed prices, even fewer buyers.

A review of leading markets suggests that investors' fortunes over the rest of this year will largely depend on whether Wall Street is properly valued or heading for a fall, and on whether Tokyo can pull out of its slough of despond.

The remarkable surge which took the Dow Jones Industrial Average from less than 2,900 in mid-December to more than 3,250 by mid-January has plateaued somewhat over the past month.

Pessimists reckon the market could suffer a substantial correction, but the optimists, in the majority on Wall Street, believe prices are far more likely to advance during the rest of 1992 – the only question being by how much.

The key factor spurring the turn-of-year rally was the Federal Reserve's action on December 20 in cutting the discount rate by a full point to 3.5 per cent, and pushing the Fed funds rate down from 4.5 per cent to 4 per cent.



This convinced the equity markets that the Fed would pull whatever monetary strings necessary to get the economy moving. It also prompted investors to move funds out of fixed income securities, money market funds and bank CDs, with their increasingly unattractive returns, and into equities, which held out the possibility of greater capital accumulation, albeit with a greater element of risk.

The latest batch of economic indicators is cautiously encouraging: sales of US cars rose sharply in early February, housing starts jumped 5.5 per cent in January, and the annual rate of consumer price inflation fell to 2.6 per cent in January. But even the most optimistic economists acknowledge that any recovery will be much less powerful than in the past, given the heavy debt burden hanging over corporate America and consumers.

The big question is whether the US market has become disjointed from economic reality. The answer is "probably not", if you accept the consensus view that:

- the economy is now entering a slow, but probably sustainable, recovery;
- the US can sustain this growth even if continental Europe and Japan falter and;
- the dollar is likely to strengthen, encouraging foreigners who anticipate this to invest more aggressively in American assets.

Equities pessimists have made much of the fact that US equity prices for the Standard & Poor's 500 Index now stand at around 24 times past earnings, high by historic averages.

However, optimists point out that this is indeed history and the market should be focusing much more on prospective corporate earnings for 1992, which are expected to show solid growth and which should be adjusted to eliminate one-time write-offs. On this basis many analysts expect the price/earnings ratio to drop to about 16. According to strategists at Goldman Sachs this is roughly in line with past levels at times of low inflation. According to optimists, there could also be scope for a further substantial rise in the Dow over the next nine months if profits keep recovering into 1993.

If there is any fault-line in world financial markets, it is between Japan and the other main equity centres.

The reasons for Tokyo's deep gloom are not hard to find. The economy is getting weaker by the day, with bad economic news and some shocking corporate announcements competing for space in newspapers.

Private sector economists expect the economy will slow from a growth rate of about 3.5 per cent in the year to March 1992 to 2.5 to 3 per cent over the next 12 months: not a recession, but enough to bite deep into profits. Nomura Research Institute expects pre-tax profits of 400 top companies to fall 12 per cent in the current year and a further 2 per cent next year – the first declines since 1986.

Individual sectors will suffer more. Financial companies are being burdened by the mountain of bad debt left behind by the plunge in stock and property prices. Capital equipment makers are seeing sales and margins collapse in the face of the first expected downturn in capital spending in 15 years.

Many investors recognise that the slowdown should eventually sow the seeds of a recovery as the authorities cut interest rates further to stimulate growth. But the timing of a stock market resurgence is uncertain.

Japanese individuals are unlikely to rush into the market. They are avoiding stockbrokers like the plague, blaming them for both the bear market and for their involvement in last year's securities industry scandals. Foreigners are also not expected to commit big new money until Japanese investors start buying. "They're saying to the domestic fund managers, 'Now it's your turn,'" says Mr Stephen Barber, president of Invesco MIM Investment Trust, a subsidiary of the UK fund management group.

A widely held view is that prices will recover hesitantly in the spring, perhaps taking the Nikkei index from its current level of 21,291 to 25,000 by mid-year. However, even some bulls acknowledge the Nikkei could fall below the psychologically important level of 21,000.

Confidence in the markets could then evaporate, not least because leading Japanese banks, which depend on their stock portfolios to bolster their capital reserves, would no longer meet minimum standards of capital adequacy which the Bank for International Settlements is to introduce next year.

Germany, the other former growth locomotive in the world economy, is also running out of steam. But hopes of higher profits are underpinning the rise in Frankfurt equities. Forecasts for the current year suggest the DAX index could push up to between 1,800 and 2,000, reflecting expectations of a 1993 earnings recovery for the main German blue chip financial and industrial shares, after a sluggish, if not stagnant, year in 1992.

The rise has also been boosted by expectations that the Bundesbank will cut its present high interest rates later in the year, as inflation falls back to 3 per cent, and the present tense wage round is past.

The Bundesbank's tough monetary policy may be seen as strict outside Germany. But in Frankfurt markets, it is considered reassuringly firm: a reminder that the central bank is absolutely committed to monetary stability, low inflation, and a strong D-Mark.

In France, the economy has also slowed while the political outlook has become increasingly uncertain as the popularity of the Socialist government has slumped. But France's stock markets have benefited from the trickle of good news from the US and from a string of reassuring announcements from French companies that suggest 1992 is certain to be better than the lacklustre 1991.

Although equity markets outside Japan appear buoyant, there is plenty of scope for upset in the global economy

The Paris market has also been boosted by the recent surge of corporate activity in France, notably the FFr13.42bn battle over the ownership of Perrier mineral water between Nestlé of Switzerland and the Agnellis of Italy. This has helped to allay France's fears of Paris being marginalised in the international arena.

But although equity markets outside Japan appear buoyant, there is plenty of scope for upset in the global economy.

In the US, there is room for doubt about interest rate trends. Short-term interest rates may now be near, or at, their cyclical low and any tightening of monetary policy could cause financial markets to dip. Political fall-out from this year's presidential election could also hit share prices. Wall Street would not welcome the prospect of a Democratic president and would be concerned at any pre-election economic package which boosted the budget deficit.

In Germany, some correction in the upward move of share prices is likely. First-quarter sales and earnings figures are expected to be bad. Tough wage negotiations loom on all fronts. The government's budget deficit problems look ever more intractable.

The broader international arena is also full of tensions and rivalries. The US and Japan have already fallen out over trade. The erstwhile communist states of eastern Europe and the former Soviet Union are caught in a desperate struggle to survive in the capitalist world, and could yet be the source of a major economic or political shock to industrialised west. The Uruguay Round of trade liberalisation talks are threatened with collapse. That would undermine the General Agreement on Tariff and Trade (Gatt), an important guarantor of prosperity in the postwar world.

Although most equity investors have fared well so far this year, the Chinese curse of "May you live in interesting times" was never truer.

Contributors: Peter Norman, Martin Dickson, Patrick Harverson, Stefan Wagstyl, Quentin Peel and Alice Rawsthorn.

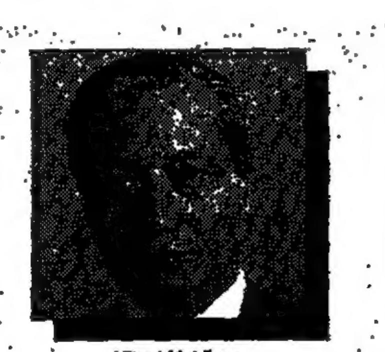
Abby Joseph Cohen
Goldman Sachs in New York

"STOCKS ARE clearly the best place to be," says Ms Abby Joseph Cohen, co-chair of the investment policy committee at Goldman Sachs in New York. "We'll see a recovering economy and a recovery in corporate profits," she says.

However, Ms Cohen warns that there are still risks associated with what she calls "deep cyclicals" – companies very dependent on economic recovery in the US and around the world, and especially commodity price-sensitive companies. "We are concerned that their profits won't recover as much as expected in 1992," she says.

She likes "growth cyclicals", such as technology, transportation and electronics stocks. But she is wary of small-capitalisation stocks, 1991's best performers, and companies that diversified abroad in the 1980s. "As we look into 1992, US markets may recover before overseas markets, so companies that depend upon economic vigour in Europe and Asia may face some earnings disappointments."

Ms Cohen favours specialty US retailers with strong domestic exposure and pharmaceuticals.



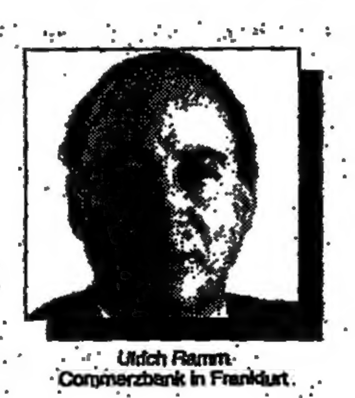
Hitoshi Ishihara
Yamaichi Securities in Tokyo

THERE ARE good reasons for putting money into the Japanese market now, believes Mr Hitoshi Ishihara, vice-president of Yamaichi Securities, one of the Big Four Japanese stockbrokers. But he acknowledges that its mood is so bad that few people are convinced.

About 100 investors recently attended a Yamaichi seminar: "We asked them whether they thought it was a good time to invest in Japanese shares and almost 100 people said 'yes'. We then asked them whether they would actually invest and most said 'no'."

Mr Ishihara expects a modest recovery in Japanese equities later this year. "The change in sentiment will come gradually." He thinks the Nikkei index of leading stocks, now at 21,291, could fall below the psychologically important level of 20,000 but this is "unlikely".

Mr Ishihara believes the economy is fundamentally strong, and that investors will try to anticipate recovery. But this is unlikely before the end of March, when many financial institutions close their accounts for the year.



Ulrich Ramm
Commerzbank in Frankfurt

NOW IS a good time to invest in German bonds, according to Mr Ulrich Ramm, executive vice-president in charge of analysis and corporate communications at Commerzbank AG in Frankfurt. Equities will depend more on a satisfactory outcome to this year's difficult wage round.

"Last year most investment was in long-term deposits. Now we, and foreigners, are optimistic for the medium term." He expects inflation to peak in April at 4.5 per cent, and decline to "three point something" in the second half. "That means a good time for investors on fixed interest rates."

"The equity market is a bit problematic with the current wage negotiations. The wage settlement in the steel industry was too high, but there is a chance the banks will get a deal not above 6 per cent. That would be a signal for the public sector and boost shares."

Mr Ramm expects interest-sensitive sectors, such as financials, construction and consumer demand-related stocks, to react first, with engineering and exporters advancing later.

George Magnus
Warburg in London

"THE GLOBAL economic environment to the end of 1992 is, on balance, likely to favour bonds over equities, but with special situations in equity markets – the UK market being one," says Mr George Magnus, a director of economic research at Warburg Securities in London.

He expects European bond markets to fare best. "After mid-year, German interest rates could begin a protracted decline into 1993, allowing interest rates everywhere to fall into line with demand and inflation conditions. Gilt yields are forecast to fall to 8.5 to 8.75 per cent. French and Ecu bonds should also perform well while Spain and Italy will remain interesting."

Mr Magnus believes equity markets should be supported by lower bond yields and inflation. "But we single out the UK and Pacific Rim markets for value and earnings potential, respectively." He says the FT-SE is cheap and may not have adjusted yet to the prospect of permanently low inflation. In Europe, French equities look most interesting.

David Harrington
James Capel in Paris

"WE HAVE been very positive about the French market for some time, but even we were surprised by the way it has taken off in the past week," says Mr David Harrington, French general market analyst for James Capel in Paris.

Good US news has helped, he says. "The dollar has strengthened so much that, this time, we really do seem to have reached the bottom. That has weakened the D-Mark and taken pressure off the franc. It has been good news for any French company with a US earnings stream."

Mr Harrington says the market is "probably now in the first phase" of its 1992 rally. "The second phase will come when official interest rates fall and that won't happen until after the Germans move in the third quarter."

The prospect of lower interest rates and French government plans for pension reform make equities look a good investment, while bonds should perform reasonably well, he says. "But investors won't see such good returns on cash which has been the investment in France for the past few years."

LETTERS

Local politics in Britain need radical change, with councillors being paid professionals

From Ms Anne Page.

Sir, Your welcome editorial today in defence of local politics (February 20) calls for councils to be "more representative". You suggest that the government's antipathy has made local government unattractive (as a political activity) to men and women of ability.

Indeed, it is in fact a miracle that so many able and talented councillors still function, and in many cases highly effectively.

Not only have they to deal with an unceasing stream of new legislation, multi-million pound budgets, vast personnel/employer responsibilities, constituents' multiple needs and party political business; but they do it all in their spare time and for no remuneration.

The work is intellectually and emotionally taxing. Research shows that the country's 27,000 councillors average some 20 hours a week each on public service, but very few can claim as much as £1,000 a year in expenses. It is hardly surprising that they are unrepresentative. They tend to be white and male, and older than the populations they represent. A broader group of citizens refrains from standing for election – all political parties express difficulty in finding sufficient candidates, let alone able ones.

Proportional representation will not deal with this issue; and until we recognise that consistently high quality local and regional government requires radical political change involving paid professional councillors, (as well as concerted consideration of finance, function and structure) we must continue to depend on those public-spirited and generous enough to offer themselves – even if you find them sometimes capricious and dictatorial.

Anne Page,
London Research Council,
Parliament House,
81 Black Prince Road,
London SE1 7SZ

PM's view of reasons for recession 'will not wash'

From Mr Giles Radice MP.

Sir, As you reported (Parliament and politics, February 19 and 20), the prime minister and other government ministers continue to try to blame the recession on world conditions.

This will not wash. In March 1991, both the governor of the Bank of England and the chancellor of the exchequer admitted to the House of Commons Treasury and Civil Service Committee that the British recession was "home grown". In answer to a question from me, the governor said: "The recession here is in response to what was undeniably an excessive growth in previous years and what might be called unilateral correction by us."

Next day, the chancellor told the committee: "I do not think there is a worldwide recession as there was in the early 1980s. I think it is absolutely true that the main cause and origin of the recession is a response to the very fast growth – which exceeded the underlying growth of capacity."

It may be true there is now a slow down in some countries, especially Germany, which could affect British exports. Corrective fiscal action by the British government is therefore all the more necessary. As the Treasury select committee said in its report on the Autumn Statement, "discretionary increases in public expenditure are justified at this stage in the cycle".

Giles Radice,
House of Commons,
London SW1A 0AA

Draft EC legislation may lead to payment of performance bond calls being prevented

From D W Ridgwell.

Sir, Mr John Featherstone's review (Business Law, February 13) of the risks of performance bonds following the Gulf war omitted an important point. There was no reference to current developments which are significant for companies having funds held by UK banks by way of security for possible calls under performance or similar bonds issued to Iraq.

The fact – confirmed this week by the Department of Trade and Industry – is that draft EC legislation will have the effect of preventing payment of bond calls where the UK supplier's failure to perform was solely attributable to United Nations sanctions.

The legislation is likely to be adopted during the first half of this year.

Although the interests of UK banks which have issued bonds on behalf of UK suppliers differ from the interests of the suppliers themselves, it is understood that the position of the UK government is to expect UK banks to defend the line.

In these circumstances, UK suppliers face the prospect of not only having bond calls blocked after the lifting of UN sanctions, but also having funds held by UK banks by way of security eventually released.

D W Ridgwell,
director,
Shanning Group,
Ashlyns Hall,
Berkhamsted,
Hertfordshire HP4 2ST

Performance-related pay should be a prerequisite for managers

From Mr James Cane.

Sir, Your leader, "The rewards of failure" (February 19), is timely. We have long sought better disclosure of remuneration information, as a way of "concentrating management's mind". A more performance-related approach to remuneration, based on targets linked to corporate objectives, is a prerequisite at management levels. Yet far too few companies have a rigorous appraisal system at senior levels.

Often their idea of performance-related pay is the use of a discretionary share option scheme. As you rightly say, this entails no risk. Incentive without risk is like heaven without hell. It is an upside-down logic that encourages greater risk for employees through company-wide Save-As-You-Earn option schemes than for senior management with discretionary schemes.

Are you likely to be in a position to write a leader in two years' time entitled "Justified rewards of success"? Sadly, I doubt it.

James Cane,
Greenly's,
39 Thames Street,
Windsor,
Berks SL4 1PR

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

When Lloyd's last lost money

From Mr W A P Manser.

Sir, Amid the furore over Lloyd's losses, nobody seems to have noticed a salient fact in the Rowland Task Force report.

In 1965, the last year of major overall loss, the deficit was £272.1m. This is £2,443m in present-day terms: much more than the £509.7m incurred for 1988, and the £1,350m foreseen for 1989.

W A P Manser,
46 Exeter House,
Putney Heath,
London SW15 3SX

UK COMPANY NEWS

Cazenove replaced by Warburg as Steetley's adviser

By Jane Fuller

STEETLEY, the building materials group fighting a hostile £626m bid from its rival Redland, was yesterday shocked by the withdrawal of Cazenove as its lead broker.

Mr David Donne, Steetley's chairman, has written to Mr Anthony Forbes, senior partner of Cazenove, saying: "I and my colleagues find it wholly unacceptable that Cazenove should have placed the company in this position at a crucial stage during a hostile bid."

The rift came the day after Steetley had launched its most robust line of defence so far against Redland. Steetley has replaced Cazenove with SG Warburg as lead broker to the bid.

The disagreement follows the abandonment yesterday of a joint venture plan that Steetley had propagated with Tarmac, but which was referred to the Monopolies and Mergers Commission during the week.

Mr Donne said in the letter that when the Redland bid was announced, Cazenove confirmed that it was "pleased to be able to act for Steetley in relation to the bid from Redland, rather than withdrawing from both companies due to a conflict of interest". Cazenove is also broker to Redland, but is not acting for it in the bid.

Mr Forbes said: "Regrettably we don't agree with the version of events set out."

It was Cazenove's policy to stand down from both sides when two companies for which it acted were involved in a bid. The exception was when "we are already acting for one of our companies and a third party intervenes, then we continue with the first party until that particular business is completed". In this case, the Steetley-Tarmac joint venture pre-dated the Redland bid.

Mr Donne complained that if Cazenove had said in December that its willingness to act was dependent on the joint venture continuing, "Steetley would have appointed a different lead broker".

Mr Forbes refused to say whether or not the policy had been spelt out to Steetley at the time of the bid, but added that "companies which have been with us know this and every company is interested in how their advisers will act in the event of a bid".

The relationship between Steetley and Cazenove goes back more than 30 years. In 1982 it helped Steetley to repel a bid from Hepworth.

Berisford seeks £14m to support coffee associate

By Maggie Urry

BERISFORD International, the commodities and property group, is raising £14m net of expenses through a rights issue of loan stock, which will have warrants to buy shares. Berisford shares fell 5½p to 20p yesterday.

The proceeds will enable Berisford to provide finance to Rayner Coffee International, its loss-making, 45 per cent-owned coffee trading associate. Berisford guarantees up to $115m (£65.6m) of RCI's bank borrowings.

The coffee market has been volatile since the collapse of the international coffee agreement in mid-1989. Mr Alan Bowkett, who joined Berisford as chief executive on January 29, said that since his appointment the coffee price had fallen from £570 to £470 a tonne. He said: "In a deregulated market you have to have a wall of money to protect against the ups and downs."

Mr Bowkett said tackling RCI had been his first priority and he had made a detailed review of the business already.

Berisford also announced two appointments at RCI, Mr Julian Bell as executive chairman and Mr Luis Octavio da Motta Veiga as group managing director.

A second consideration in making the issue, Mr Bowkett said, was Berisford's desire to restructure its banking arrangements in anticipation of its plans to rebuild the company.

Berisford had been near bankruptcy in 1990 with bank exposure totalling £1.4bn but sold assets to repay borrowings and by the end of the last financial year last September had net cash of £18.6m. It now plans to expand through acquisition in areas new to the group.

Berisford said that during the first quarter of its current financial year it was close to breaking even, before taking a further £4.5m provision against its UK properties. These are revalued on a quarterly basis.

The Pritzker family of the US, which owns 10.8 per cent of Berisford and has two non-executive seats on the board, is underwriting £10m of the issue of £14.8m gross of loan stock. Mr Bowkett, who bought 6m shares at 19p each when he joined Berisford, and the other directors are taking up their rights.

Shareholders will be entitled to buy £1 of the loan stock for every 33.53 shares held. The stock, carrying a 10 per cent coupon, will be redeemed in 1995.

Every £100 of the stock will carry 1,000 warrants, each giving the right to buy one new Berisford share at 10p until 2002. Full exercise of the warrants would result in the issue of 148m new shares, increasing the share capital by 29.8 per cent.

The Pritzker family could end up with a holding of about 24 per cent, if it were to take up its full underwriting commitment and exercise all the warrants.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
†	F.P.	–	75	61	Capital Industries 1p	61		–	–	–	–
100	F.P.	–	104	99	Exeter Prfd. Capital	102	-½	F8.6	–	0.8	–
–	F.P.	–	39	23	Fleming Japanese Wrnts	36		–	–	–	–
£10½	F.P.	–	£12	£10½	Latin Am Inc & Appr. 1c	£12		–	–	–	–
100	F.P.	–	99	98	Lloyds Smlr Co's Pckg Uts	99		–	–	–	–
38	F.P.	–	39	34	Do. Dividend	37		1.47	–	5.1	–
62	F.P.	–	62	57	Do. Capital	60		–	–	–	–
–	F.P.	–	10	¼	Multitrust Warrants	10		–	–	–	–
–	F.P.	–	104	102	Riv & Merc Tst Inc12 1/2p	103		N9.2	–	11.9	–
–	F.P.	–	121¼	117	Do. Sppd Prf 12 1/2p	121¼	+½	N5.6	–	6.1	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	101½p	101p	Bank of Ireland Units Non-Cum Prf A	101p	
10p	F.P.	-	10p	8p	Bette Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	98½	Camborne Inds. 10½pc Rd. Deb. 2001	105½	
34.71	F.P.	-	35¾	35¼	Exeter Prfd. Capital Zero Deb. 2002	35¼	
100p	F.P.	-	106p	100p	Fidelity Euro. Values Equity Ln 2001	106p	
105	F.P.	-	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	105	-5
310p	150p	-	297p	187p	Inchcape Non-Int. Bearing Cv Un Ln	285p	-7
100p	F.P.	-	105¾p	99¼p	NatWest Bank 9pc Prf Series A	100¼p	
‡	F.P.	-	75p	68p	Wembley 6p (Net) Cnv Cum Prf 1999	68p	-2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
205	Nil	30/3	38pm	20pm	BTP 10p	20pm	-1
105	Nil	3/4	12pm	1½pm	Bromsgrove Inds.	1½pm	-1½
39	Nil	20/3	1½pm	1pm	Drummond	1pm	
115	Nil	–	16pm	12pm	Porvair 2p	15pm	
58	Nil	30/3	12½pm	10½pm	Senior Engineering 10p	12pm	
350	Nil	–	54pm	48pm	Watmoughs	48pm	
30	Nil	–	3½pm	2½pm	Wembley 5p	3pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb. 17
- Last Dealings Feb. 28
- Last Declarations May 28
- For settlement June 8

3-month call rate indications are shown on page 11.

Calls: Aitken Hume, BICC, Dowty, Elliott (B.), Gestetner, GRE, Ladbroke, Meekatharra Opts., NSM, NSM Pref., Owen & Robinson, Queens Moat, Saatchi & Saatchi, Thames TV, Tiphook.

Decision on Maxwell insurance claim likely next week

By Richard Gourlay

ADMINISTRATORS to the Maxwell empire will have to wait until next Thursday before hearing whether insurers are likely to pay out under the late Mr Robert Maxwell's £20m accident policy.

A report from the loss adjuster, Mr Roger Rich, into the publisher's death last November says that Mr Maxwell probably committed suicide. "On the evidence I have got, the suicide theory is the more compelling one." Mr Rich said yesterday.

The report casts the clearest light yet on the last troubled hours Mr Maxwell spent on board his yacht, the Lady Ghislaine, before his death, that led to the full exposure of the massive fraud in his business empire.

But it has done little to calm the legal battle that is developing over the "key man" accidental death insurance policy.

Mr Charles Wilson, editor-in-chief of Mirror Group Newspapers, one of the Maxwell companies that paid premiums for the policy, said: "we retain and are pursuing our interest in the insurance policy on Robert Maxwell's life."

The insurance companies that have underwritten just over half the risk are due to meet on Wednesday to decide how to respond to the loss adjuster's report. Lloyd's and the companies were then expected to approach Maxwell's brokers.

Mr Rich said should Lloyd's want to use suicide as a reason not to pay out on the policy, there would have to be proof that Mr Maxwell did indeed commit suicide.

On the other hand, Mr Pat Slade, underwriter on the leading syndicate, Sturge, said that if there was no evidence suggesting Mr Maxwell's death was an accident, he would not expect there to be a claim under the policy.

Dunton cuts losses to £252,000

Dunton Group, the USM-quoted building and property combine, has cut its pre-tax loss from £2.71m to £252,000 in the six months ended November 30 1991.

At the operating level it was in the black but, while the recession remained, was unlikely to return to overall profitability in the short term, said Mr Clive Travers, chairman.

From turnover of £1.82m (£1.78m), the operating profit came to £454,000 (loss £2.23m). Each subsidiary made a positive contribution.

Demand for bricks was poor, but stocks were now at manageable levels and orders held up comparatively well. Landfill operation at the site should produce profits in the second half.

Black Horse is favourite to win the profits race

Robert Peston on the first of the English clearing banks to disclose its 1991 results

SIR JEREMY MORSE, the chairman of Lloyds Bank who is soon to retire, thinks of himself as a banker *faute de mieux*.

He originally joined a bank – Glynn Mills, now part of Royal Bank of Scotland – to acquire some professional skills in preparation for taking the helm of his family's East Anglian brewery.

"However Watneys bought the brewery", he said yesterday, "So things turned out rather differently".

At the age of 63, he is now planning to stand down. "On April 1, I will have been chairman for 15 years", he added. "That is rather too long . . . I will leave here at the end of the year or early next year". However, his successor is likely to be found rather sooner so that he or she can work alongside Sir Jeremy for several months.

Sir Jeremy is leaving at the apex of the bank's fortunes relative to its peers. Lloyds was yesterday the first of the English clearing banks to disclose its 1991 results and analysts are convinced that it will emerge as the most profitable of them – even though its balance sheet is half the size of Barclays' and National Westminster's respectively.

Lloyds' 1991 pre-tax profits were £645m, 9 per cent higher than the previous year, even though the bank suffered record losses on its UK loans of £885m. Thanks to a drop in the tax rate, profits after tax rose 22 per cent to £357m.

There was a small increase – of 3 per cent – in interest income to £2.35bn. Mr Brian Pitman – Lloyds' chief executive who with Sir Jeremy is regarded by analysts as an architect of the bank's success – said the bank had benefited indirectly from the absence of demand for loans from UK companies and consumers.

Sir Jeremy Morse: leaving at the apex of the bank's fortunes relative to its peers

In the absence of such demand, Lloyds was able to reduce its reliance on the money markets as a source of funds to lend. Such borrowing from the money markets is far more expensive for a bank than taking deposits from personal customers.

Other operating income – including revenue from Lloyds' highly successful life insurance operations, Abbey Life and Black Horse Life – rose 5 per cent to £1.63bn.

However, the bank succeeded in avoiding any increase in overheads. Indeed staff costs fell 4 per cent.

Earnings per share rose 21 per cent to 28.6p, but the full year dividend has been increased by 9 per cent to 16.7p for the year. "I did not want to pay more, having made it clear last year that we wanted dividend cover [the ratio of earnings to dividends] to rise from last year's level of 1.5 times", Sir Jeremy said.

Dividend cover is now 1.7. Nonetheless, analysts had been expecting a smaller dividend increase.

They point out that other big banks cannot afford to increase their dividends at all. Midland is likely to omit a payment for the second half of 1991.

As Sir Jeremy and Mr Pitman, never tire of saying, their prime aim is to reward the banks' shareholders. Their motives are not purely altruistic. A recent report by the stockbrokers UBS Phillips & Drew pointed out that Mr Pitman has a personal stake in Lloyds worth close to £1m whereas the chief executives of Barclays, Midland and NatWest have personal shareholdings with a combined value of only £100,000.

But despite the emphasis on dividend growth and an eschewing of rights issues to finance expansion – Lloyds has not had a rights issue since Sir Jeremy took the helm – the bank is also likely to emerge as the bank with the strongest balance sheet, as measured in terms of the ratio of capital to assets. Its risk asset ratio, the new international standard for assessing balance sheet strength, was 9.7 per cent at the end of the year, up from 8.5 per cent.

The ratio would have been higher still, if Lloyds had chosen to write back into its accounts some of the provisions it made three years ago to cover the risk of losses on loans to less developed countries. These provisions total £2.8bn, equivalent to 75 per cent of its LDC exposure.

However prices of LDC loans in the international markets suggest that Lloyds may be taking too pessimistic a view of the likely losses on this exposure. Colin Wilks, Lloyds' chief financial officer, said that if the bank sets its provisions at the level of market prices, around £900m of capital would be released for the bank's use.

So even if loan losses do not diminish in 1992, as Sir Jeremy fears, the balance sheet should remain robust.

Sir Jeremy himself may not be around to steer the bank through the eventual recovery in the UK economy, but he confirmed yesterday that Mr Pitman – who reached Lloyds' official retirement age of 60 last year – will stay on for at least another couple of years.

Some analysts believe that Lloyds pre-tax profits will exceed £1bn by the time Mr Pitman goes – which will give some satisfaction to the brewer *manqué*.

Decision on Chelsea ground likely next week

By Jane Fuller

THE COMING week looks like being a crucial one for Cabra Estates, the property company which owns Stamford Bridge, home of Chelsea football club.

On Tuesday, SB Property, which is 83.5 per cent owned by Cabra, will seek a High Court injunction to force Chelsea to pay £22.85m for the ground. The price was set by an independent valuer last November and it relates to Chelsea's 1988 exercising of an option to buy.

A case involving a counter-claim for damages from Chelsea, which Cabra has applied to the court to strike out, may also be heard.

Chelsea, which is chaired by Mr Ken Bates, is taking other legal action. It wants to buy Stamford Bridge, but Mr Bates has yet to give any details about finance.

Mr John Duggan, Cabra's chairman, said the aim was to get Chelsea to complete the contract. If it did not, action would be taken against it.

Eviction of the first division club is one possibility.

Cabra, which last year lost £11.3m pre-tax and had year-end debt of £52m, has delayed the publication of its interim results for more than two months because of the uncertainty over Stamford Bridge.

The figures for the six months to September 30 are due to come out on Thursday. In the first half of 1990-91, the company lost £5.24m. Its share price has fallen to 7p from nearly 120p in mid-1989, when Mr Duggan became chairman after the takeover of Marler Estates which brought in both Stamford Bridge and Craven Cottage, Fulham football club's ground.

This month has seen further buying of Cabra shares by Mr Ashraf Marwan, an Egyptian financier, who now owns about 27 per cent.

Tribune Inv assets slip to 273.9p

Over the six months ended December 31, net asset value of Tribune Investment Trust fell from 279.2p to 273.9p. A year earlier it stood at 233.9p.

Earnings per share were down from 7.61p to 6.29p. The final dividend is 4.5p for a total of 6.2p (5.9p).

Holmes' alarms deal with Sears Roebuck

By Richard Gourlay

HOLMES Protection, the US security company, has won a contract to install residential alarm systems under a licensing agreement with Sears Roebuck, the US retailer.

The deal, worth $8m over three years, licenses Holmes to operate through Sears in New York and Long Island, and allow it to move into the mass security market for the first time. It will fill spare capacity for its monitoring facilities which command high margins.

Mr Eric Kohn, the vice chairman of Holmes who put together a new management team last year at the debt-laden group, said it was still on course for a new share issue by the end of April.

The issue would refinance $38m of debt left after a restructuring that had written off about half the $69m debt.

Holmes supplies security systems to banks and businesses in and around New York and has a franchising operation in 48 locations throughout the US.

It hopes to benefit from Sears reputation in the home improvement market.

CE Heath cuts Australian holding to raise £46m

By Angus Foster

CE HEATH, the insurance group, is planning a sharp reduction in its stake in its Australian underwriting subsidiary, CE Heath International Holdings (HIH), through a public offering of new shares to raise about A$105m (£46m).

Following the flotation, CE Heath's stake in the company will be diluted from 90 per cent to about 45 per cent of the enlarged share capital.

Cash raised from the offering will be used to repay HIH's borrowings and provide the Australian company with capital for expansion.

The decision follows last year's disposal by CE Heath of its Bermuda-based financial reinsurance arm, Pinnacle Reinsurance. CE Heath said at the time it planned to concentrate on its core broking business rather than underwriting.

Ord Minnett Securities has been appointed by HIH as manager and underwriter.

Templeton Emerging plans to raise £35m

By Philip Coggan, Personal Finance Editor

TEMPLETON Emerging Markets Investment Trust is attempting to raise £35m via a combination of a placing, open offer and an offer via intermediaries.

It joined the stock market in 1990, with shareholders funds of almost £29m and raised a further £18m via a rights issue in 1990. Its shares have traded close to, or above, asset value.

The directors said that the share issue would expand the shareholder base and enable the trust to build a diversified portfolio. At October 31 its net asset value was up 53 per cent on a year before.

Up to 22.5m new C shares are available via a placing at 100p. In addition, 7.5m shares are available to intermediaries and 5m to existing holders.

From ecstatic wheeler-dealing to static management

Jane Fuller on Philip Ling, Haden MacLellan chairman and self-confessed crisis addict

THERE IS a branch of hunting called drag hunting. It is fast, furious and contrived, rather like the deal-making of the 1980s.

It suits those who love to gallop and jump, but who hate hanging around and have little interest in watching hounds work. It follows an artificial trail and it is over in perhaps half the time of the traditional version.

Drag hunting is a favourite sport of Mr Philip Ling, chairman of Haden MacLellan Holdings, the industrial holding company he brought to the market in the midst of the October 1987 crash, too late to capitalise on the bull market.

That was a pity because he thrives on the excitement of the deal. He was at home in the acquisitive 1980s. His audacity peaked in 1986 with an innovative, and highly leveraged, management buy-in bid which valued Simon Engineering at £201m. It was a spectacular flop. But now, as then, he is unashamedly uninterested in the day-to-day running of a business.

Last week Mr Ling, who is only 45, stepped back into a non-executive role at Haden MacLellan, where the 40-odd subsidiaries make or supply products like paint-spraying plant, iron bridges and vandal-proof toilets.

Since the company's last significant transaction a year ago – a comparatively small £4m purchase in California – the deal-based work has thinned out. His longstanding operating-manager colleagues were *de facto* in the ascendancy, just as the age of the Roundheads replaced that of the Cavaliers.

The story of his four years as executive head of a quoted company is full of swings and contradictions.

One incongruity is the attention Mr Ling proudly draws to the recent centenary of MacLellan, used as a partial shell in 1987 to receive the private companies Haden and Haleworth. Last century, the sort of Ling-engineered buy-in and buy-out deals that lie behind the modern HMH had not been dreamed of and the group's short track-record remains one of its Achilles' heels from the market's point of view.

In terms of profitability, the company's growth peaked in 1990 at £23.6m pre-tax, but is estimated to have fallen nearly 40 per cent to about £14.5m last year. Although the business is diversified, it has not proved to have much of a cushion against recessions in the UK and the US.

As for the share price, the October 1987 crash happened during the suspension period for the "double reverse takeover". When trading started, the price fell rapidly to less than half the 150p launch level.

Then a near-tenfold increase in pre-tax profit between 1987 and 1989 and Mr Ling's whizzy acquisitive image sent up the share price from 67p to 257p in less than two years. Some disappointments and the malaise affecting conglomerates and small companies have since sunk it to less than 110p. Yesterday's close was 111.5p.

Mr Ling, with 2.5 per cent of the equity, must know how all the other shareholders feel about this reversal of fortune.

So is he another of the 1980s whizz kids who have gone phut, or is he a victim of the bear market?

He might accept the latter definition. "If we had known there was going to be a bear market followed by a recession, we would not have gone public.

"Other industrial holding companies got going earlier in the 1980s. But it might be a blessing in disguise because some of those exploded."

Philip Ling: a Cavalier errant in an age of Roundheads

To be fair, there is an important difference between HMH and the casualties of the 1980s. Far from over-borrowing, it has emerged with enough cash in hand to pay an 8p maintained dividend for 1991 (costing just over £7m). Earnings per share are expected to be 11p.

As for the flash, wheeler-dealer tag, he is vexed by it. While he is not interested in running operating companies, he says he is interested in creating good management teams and in establishing a culture in which they can thrive.

He talks about the creative, humanist side of management – using words like communication and participation. "It doesn't matter who gets it right, so long as someone does."

He does not like the word "ruthless" and seems pleased that HMH has not shut a plant in the recession. He does not even have the customary missionary zeal of holding company chairmen for driving forward earnings per share.

Ask about financial control from the centre and one of the nitty-gritty directors, such as Mr Clive Mayhead or Mr Mel Hawley, newly created chief executive, will answer. Mr Ling says there is no formula; they will rattle off something that sounds like one. The trouble with HMH from his point of view is that it has no big problems.

So where now for the Downside, Oxford and London Business School-educated Mr Ling, whose business roots go back to the Jessel empire, Johnson & Firth Brown and restructuring private steel in the 1970s? He already has an assortment of business interests outside HMH, including non-executive directorships of quoted companies and private investments about which he is rather coy.

It seems he would like his future career to resemble his sporting one. Less than three weeks after having his knee crushed in a fall from his horse, he plans to be dropped from a helicopter in the Canadian Rocky Mountains so that he can ski down.

He likes to be seen as a "crisis addict". "I'm very interested in companies with big problems."

In the current climate, though, his energies might have to be funnelled into a financial rescue rather than a new venture.

At HMH, the hope is that his more down-to-earth colleagues will strike the appropriate note for what they describe as the "austere" and "back-to-basics" 1990s.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.02.92: Pool purchase price £/MWh	Final Prices for Trading on 20.02.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.08	17.29	17.80
0100	17.10	17.56	18.46
0130	18.37	21.00	22.00
0200	18.31	21.00	22.98
0230	17.10	17.53	18.41
0300	17.09	17.49	18.37
0330	17.08	17.46	18.34
0400	17.08	17.20	17.20
0430	17.04	17.16	17.16
0500	17.02	17.13	17.13
0530	17.02	17.13	17.13
0600	17.02	17.12	17.12
0630	17.02	17.12	17.12
0700	17.02	17.12	17.12
0730	12.00	17.12	17.12
0800	17.02	17.12	17.12
0830	17.02	17.16	17.16
0900	17.06	17.17	19.05
0930	17.06	18.39	20.34
1000	17.09	19.13	21.07
1030	17.09	19.13	21.07
1100	17.10	19.13	21.07
1130	17.10	18.39	20.31
1200	17.08	18.39	20.51
1230	17.08	18.39	20.37
1300	17.06	17.20	19.08
1330	12.00	17.16	19.04
1400	17.03	17.14	17.14
1430	17.02	17.12	17.12
1500	17.02	17.08	17.08
1530	17.02	17.08	17.09
1600	17.02	17.13	17.13
1630	17.02	17.17	17.17
1700	17.05	19.61	21.48
1730	19.44	25.00	27.08
1800	19.56	25.00	27.08
1830	19.58	25.00	27.07
1900	19.56	20.83	22.78
1930	18.58	19.91	21.86
2000	18.58	19.61	21.44
2030	18.79	18.38	20.32
2100	18.76	17.17	19.05
2130	12.00	17.16	19.04
2200	12.00	17.13	19.01
2230	17.02	17.12	17.12
2300	17.01	17.08	17.08
2330	17.01	17.04	17.04
2400	17.02	17.04	17.04

Prices are determined for every half-hour of each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-eight days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are not capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

Tracking the Cleggs over three continents

Bronwen Maddox, Richard Donkin and Philip Gawith probe the ex-Wace chief's family

UNTIL THREE weeks ago Mr John Michael Clegg was one of Britain's most successful entrepreneurs. At the age of 33 a glittering business career stretched ahead of him. In one week last month it was shattered.

In his own words, his departure from Wace Group, the company he created eight years ago and built into the UK's largest printing services company, has caused him "great anguish". But the reasons for his departure remain a mystery.

He now sits behind drawn curtains in his house in an affluent suburb of Chicago, where he moved a year ago from London to devote his time to Wace's expansion in the US, the greatest commercial challenge he had faced. His wife shields him from knocks at the door and the insistent telephone calls.

The only clue he has given to his sudden exit was to say that "he had little alternative but to resign", because of "continuing rumours regarding myself and my family . . . which might be damaging to Wace".

The comments, however, are unlikely to die away. Since he left, Wace's internal inquiry has revealed a pattern of "potentially unlawful dealing", according to Wace, by members of Mr Clegg's family and others connected with them, in the shares of companies which Wace planned to take over.

Last night the Department of Trade and Industry announced that it had launched a formal inquiry into the shareholdings of Wace Group and Parkway Group, Wace's main UK rival. One task of the inquiry will be to establish whether insider dealing took place – trading in shares while possessing sensitive information not generally available.

Mr Clegg has stated through his solicitors that he has "never acted on or provided to others any price-sensitive information", and that he is "more than happy to co-operate" with the DTI.

The DTI is seeking to answer the following questions:

● Nearly 4m shares were bought in Parkway in the months before Wace launched a bid on August 1 1990. The shares are registered in the names of six of Mr John Clegg's relatives and another seven people sharing the same addresses. Who are these people, and what led them to buy the shares?

● Six of these names – and three names of other relatives of Mr Clegg – appear in 1990 on the share register of Tinsley Robor, recording the purchase of 1.4m shares in the company, a printing company which Wace considered taking over in early 1990, although the deal was not concluded. Again, was this buying prompted by "inside information"?

● Do these purchases reveal a co-ordinated "dealing circle", trading on information about Wace's plans?

● Did the registered owners of the shares know that shares were being bought in their names?

● Where did the money to buy the shares come from? Where did the money from selling them go?

The pursuit of the answers will take the DTI inspectors not just to Chicago, but to affluent suburbs of Durban, South Africa, to a decaying tower block in north-west London, to Belfast, to Dublin, and to the streets of Sheffield, Mr Clegg's home town.

The first key to the puzzle lies in Berea, Durban, half a world away from Mr Clegg's Chicago home – but not immune to the pressures which have turned his life upside down. Visitors are kept firmly out behind the steel gates, inscribed with the names Jayne and Keith, and telephone callers are now threatened with lawyers' injunctions.

Mr Clegg has always described Mrs Jayne Riley as his cousin, previously Ms Jayne Wright. He has repeatedly said that she gave him, from the proceeds of a family inheritance, the £700,000 he used to buy into Wace in 1983.

However Mrs Riley is his half-sister, the daughter of Mr John Henry Clegg, his father, and Ms Anne Lilian Wright, of Sheffield. She married Mr Keith Riley on emigrating to South Africa.

Shortly before the Wace purchase, there were share purchases in Helical Bar, a property and development company, by Mr Albert Clegg, Mrs Riley's and Mr Clegg's uncle. Although the Helical Bar shares were registered in Mrs Riley's name, they were bought by a Mr Michael Clark, an alias used by Mr Albert Clegg.

In 1988 Mrs Riley's 30 per cent stake in Wace was sold. The company's outstanding growth meant that the stake fetched some £8m. The DTI inspectors will investigate not just the original source of money but the destination of that profit.

Among other questions is whether any of the proceeds were used to buy into Parkway and Tinsley Robor.

Between May and August 1990 650,000 shares in Parkway were registered in the names of Jayne and Keith Riley, and 490,000 shares in Tinsley Robor were registered in the name of Keith Riley in 1990.

However the Rileys' shares were registered not in South Africa but at addresses in north London and at the Anglo Irish Bank in Dublin.

One of those addresses, a dingy ground-floor flat in a north London local authority tower block was the second key to the puzzle. It was used to register shares in Parkway by seven other people – according to one of Wace's advisers, the piece of the pattern that "set alarm bells ringing" among the advisers.

A Financial Times reporter visiting the flat this week knocked hard for several minutes with no response. Inside the open door was a small untidy room, the furniture strewn with clothes. On the walls were large oil paintings in gilt frames. A young man with short-cropped red hair, appeared at the kitchen door.

He would not give his name but said he was the nephew of Mr John Henry Clegg, Mr John Michael Clegg's father, who he said owned the flat. Mr Clegg snr is registered at the address on the electoral role.

More Parkway share purchases were made by Mr Paul Liggins who is believed to be a relative of Mr Clegg jnr's wife. Liggins is her maiden name. Mr Liggins was said by the woman who came to the door of their South Croydon home last week to be too ill to talk. She said she knew nothing of Parkway shares. "He picks all his shares with a pin," she said.

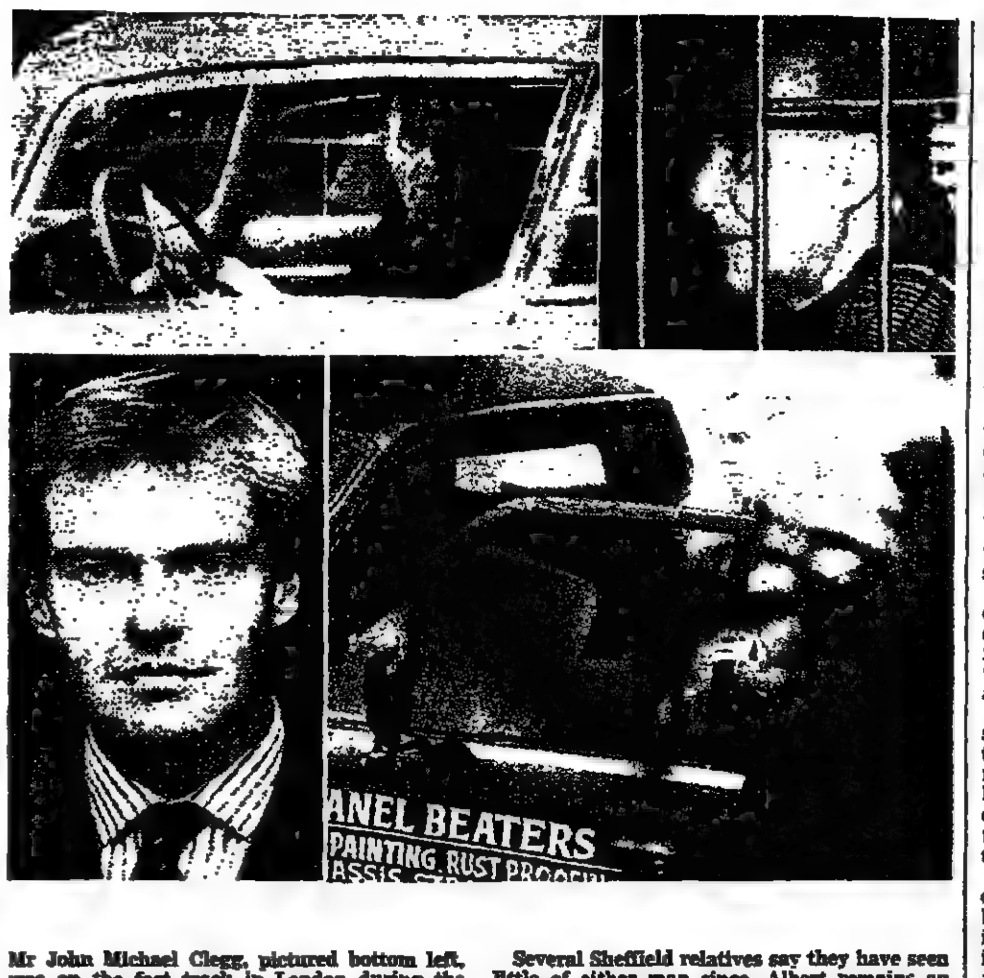
The third key to the puzzle lies in Sheffield, where Mr John Henry Clegg spent most of his life.

It has become clear that a total of 120,000 shares in Parkway were registered at two Sheffield addresses in the name of four Cleggs – Vivienne, David, James Robert, and Christopher Stephen. Some 25,000 shares in Tinsley Robor were also registered in the names of Mr David and Mr Christopher Clegg in 1990.

The first address used, by Mr David Clegg, was that of Auntie Noreen, the spinster sister of Ms Jeanne Grant, Albert's first wife. She recalled letters for David popping through her letterbox but took no interest in them and merely passed them on, she said. They were a good family, she said.

The second, in Westbourne Road, is occupied by Christopher.

The four Cleggs are cousins of Mr John Michael Clegg, children of his uncle Albert. Wace's brokers handling the Parkway purchase noticed some of the Clegg dealings at the time and questioned Mr Clegg: he assured them in writing that he had not communicated with these cousins for years.



Mr John Michael Clegg, pictured bottom left, was on the fast track in London during the 1980s. Qualifying as a solicitor at Nabarro Nathanson, a prestigious City firm, he moved briefly to Minster Trust before buying into Wace in 1983 at the age of 24.

The money came, he said repeatedly, from an inheritance of Ms Jayne Wright, his cousin, who had emigrated to South Africa. Recent investigations revealed, however, that she is in fact his half-sister, born out of wedlock to his father Mr John Henry Clegg. She is pictured bottom right outside her Durban home this week.

Mr John Henry Clegg, pictured top left during his heyday in Sheffield in the early 1960s, was a notorious local figure. Like his twin brother Albert he was convicted on numerous charges. Bankruptcy proceedings were brought against both brothers by the Inland Revenue in the early 1980s.

Several Sheffield relatives say they have seen little of either man since. Albert remains an undischarged bankrupt. For some years both men have had investments in South Africa.

In recent days, Ms Wright has refused to answer questions put to her by reporters visiting her Durban home. Speaking briefly on her behalf have been her husband Mr Keith Riley and a man who gave his name as Frederick Turner.

One day this week, Mr Turner arrived at the Riley home in a pick-up truck belonging to Ace Panel Beaters. Mr Antonio Bernardi, at the company, said he did not know of a Mr Turner but he did know Mr John Henry Clegg. He was his wife's uncle and lived at 42 Connemara, in Durban.

The name Clegg is on the letter box but Mr Turner, who speaks with a northern England accent, answered the door (picture top right). He said he was not John Henry Clegg.

NEWS DIGEST

F Usher advances to £0.59m

FRANK USHER, the USM-quoted textile and clothing group, stemmed the downturn in profitability in the six months to November 30 and is restoring its interim dividend to 2p.

The improved profitability was partly the result of tighter control of overheads and stocks. Turnover fell to £7.61m (£8.19m) but the pre-tax profit rose to £585,000. That compared with £505,000 last time and with £270,000 in the preceding six months.

Mr Christopher Norland, chairman, said the main effect of recession in the UK was felt in trading with boutiques, whereas sales to stores groups and exports were satisfactory.

Based on orders for the spring/summer 1992 collections, he looked forward to a return in the second half to levels of profitability experienced prior to last year's downturn in profits – from £1.39m to £775,000.

That was seen as "a considerable achievement against the background of the clothing industry" and justified restoring the interim dividend to 2p, after last year's cut to 1.5p. Earnings per share were 5.7p (4.7p).

Cranbrook loses £3m of orders

Cranbrook Electronic Holdings was unable to make many inroads into its losses in the year ended September 30. They amounted to £653,000, after reorganisation costs of £197,000, against £896,000.

The group, a USM-traded distributor of high technology electronic components and sub-systems, saw its turnover drop £3.08m to £7.41m as principal customers cut production and reduced their stocks.

Some important suppliers were not prepared to respond to aggressive pricing. That, said Mr Tony Diamond, chairman, resulted in a loss of at least £3m of orders, which he was sure the group would have continued to enjoy if competitive pricing had been available to it. More recently a greater degree of flexibility had been displayed by some suppliers.

In the current year turnover showed little sign of improvement. Operating expenses had been reduced still further following a 22 per cent cut made in 1990-91.

Losses per share were again 6.61p. No dividend is recommended; the last payment was an 0.5p interim in 1988-89.

BBB Design losses increase midway

The recession has continued to hit USM-quoted BBB Design Group, resulting in pre-tax losses up from £56,000 to £189,000 for the half-year to October 31. Turnover fell from £1.38m to £836,000.

For the first time, the company's design, publishing and marketing activities failed to make a profits contribution, with turnover falling by 39 per cent. The company has, however, continued to cut costs and concentrate efforts and resources on new business development.

After tax credits of £42,000 (£19,000), net losses were £147,000 (£37,000) or 1.77p (0.45p) per share. Again no interim dividend is declared.

Loss deepens at Eng & Overseas Prop

More than doubled exceptional provisions against the fall in property values led to a sharp increase in losses at English & Overseas Properties in 1991.

Pre-tax losses leapt to £2.32m (£134,000) after exceptional costs of £2.48m (£1.1m). Turnover declined to £1.03m (£1.72m).

Operating losses were, however, reduced to £92,000 (£417,000). Some £31,000 of losses came from associated companies (profits £879,000) and interest receivable fell to £289,000 (£499,000).

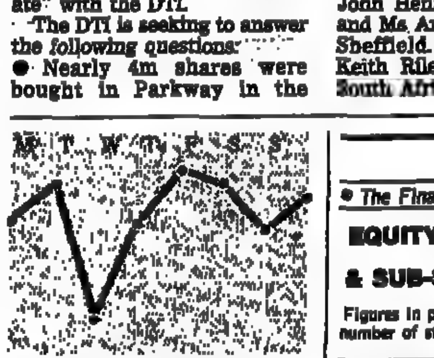
The company is proposing to maintain the final dividend at 0.5p for a total of 1p (2.5p). Losses per share worked through at 14.24p (5.51p).

The summer rights issue raised £4.95m on a 3-for-1 basis and ensured the company had enough cash "to meet its obligations". Cash balances rose during the year to £5.3m and borrowings amounted to £5.4m.

De La Rue to print notes in Nairobi

De La Rue is investing £10m to establish a wholly-owned security printing company in Nairobi. The factory is scheduled to be fully operational in 1994.

Production will include banknotes for the Central Bank of Kenya, which De La Rue has traditionally printed, as well as printing for other countries.



ECONOMIC DIARY

TODAY: General election in Malta.

TOMORROW: Second-round run-off voting to complete Romania's first democratic local elections in half a century. Financial Times two-day conference "Air Transport in the Asia-Pacific region - towards the 21st century" opens in Singapore.

MONDAY: Central Statistical Office publishes figures for engineering sales and orders at current and constant prices (December). Expected resumption of the Middle East peace talks in Washington. San Jose conference in Lisbon of European Community and Central American foreign ministers to discuss aid (until February 25). The International Energy Agency hosts a round of talks between oil producers and consumers in Paris.

TUESDAY: European Community internal market council meets in Brussels. Financial Times holds conference on international banking in London.

WEDNESDAY: The Building Societies Association issues monthly figures (January). The Department of the Environment gives figures for new construction orders (December-provisional). US durable goods orders (January). Mr Albert Reynolds, Irish premier, to meet Mr John Major, prime minister, in London.

THURSDAY: Central Statistical Office publishes balance of payments current account and overseas trade figures (January). Energy trends are issued by the Department of Energy. The Department of Transport publishes statistics for new vehicle registrations (January). US jobless claims; import/export price indices (January). Mr Helmut Kohl, German Chancellor, begins state visit to Czechoslovakia to sign Czechoslovak-German co-operation treaty (until February 29). ICI and British Gas publish preliminary results. The Institute of Economic Affairs holds conference "Public and private partnership - new ideas and perspectives" in London. US and Latin American drug summit in San Antonio (until February 28).

FRIDAY: US real gross domestic product (preliminary release-fourth quarter).

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday February 21 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Feb 20 Index No.	Wed Feb 19 Index No.	Tue Feb 18 Index No.	Year ago (approx) Index No.	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (178)	791.64	.....	8.33	6.04	15.37	0.61	791.99	788.10	787.66	804.19	890.04 15/3/91	675.31 16/1/91	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (23)	972.08	-0.1	7.19	6.39	18.74	0.44	973.11	972.19	971.91	1106.03	1167.75 14/3/91	820.50 23/12/91	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (28)	882.30	-0.2	9.03	8.27	15.98	0.00	883.85	886.14	889.25	1252.47	1438.66 15/3/91	822.60 23/12/91	1951.50 16/7/87	71.48 2/12/74
4	Electricals (7)	2457.26	-0.1	10.05	6.10	12.51	1.47	2458.77	2447.93	2450.54	2181.16	2675.48 1/10/91	1837.98 22/1/91	3040.80 8/9/89	84.71 25/6/62
5	Electronics (26)	1800.39	.....	10.20	4.76	12.42	1.26	1801.16	1766.01	1771.13	1769.52	1958.19 15/3/91	1478.08 16/1/91	2308.22 19/5/89	1229.01 8/10/86
6	Engineering-Aerospace (8)	329.24	+1.6	12.43	7.89	9.78	0.77	324.10	324.18	314.74	411.77	469.23 9/4/91	313.50 14/2/92	502.42 13/6/90	313.50 14/2/92
7	Engineering-General (43)	489.27	+0.1	9.49	4.98	13.01	1.21	488.86	488.16	487.03	402.86	503.16 2/10/91	339.57 23/1/91	505.10 15/6/90	339.57 23/1/91
8	Metals and Metal Forming (10)	327.58	+0.6	2.12	10.56	–	0.00	325.70	325.94	327.66	441.98	509.18 3/4/91	286.87 20/12/91	596.67 9/10/87	49.65 6/1/75
9	Motors (14)	314.23	.....	8.09	7.53	16.44	0.00	314.32	311.14	309.36	323.25	371.25 6/9/91	266.43 16/1/91	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (19)	1599.59	-0.4	7.52	5.12	15.82	0.69	1606.45	1601.73	1604.49	1403.23	1695.01 2/9/91	1147.76 16/1/91	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (186)	1672.42	.....	6.93	3.33	17.72	2.27	1673.31	1668.55	1680.94	1323.33	1680.94 18/2/92	1188.45 16/1/91	1680.94 18/2/92	61.41 13/12/74
22	Brewers and Distillers (23)	2095.84	-0.5	7.68	3.38	15.70	7.92	2107.33	2101.47	2104.60	1663.74	2107.33 20/2/92	1478.24 25/1/91	2107.33 20/2/92	69.47 13/12/74
25	Food Manufacturing (18)	1273.64	-0.2	8.48	3.99	14.55	2.11	1275.89	1269.33	1267.06	1120.43	1275.89 20/2/92	1013.60 16/1/91	1275.89 20/2/92	59.67 11/12/74
26	Food Retailing (17)	2566.54	+0.9	8.60	3.23	15.11	0.39	2544.73	2515.28	2517.63	2502.20	2854.91 2/5/91	2231.21 22/11/91	2854.91 2/5/91	54.25 11/12/74
27	Health and Household (24)	4441.00	+0.4	5.25	2.32	21.76	0.88	4423.23	4441.81	4546.18	2804.91	4654.94 14/1/92	2454.93 16/1/91	4654.94 14/1/92	175.38 28/5/80
29	Hotels and Leisure (23)	1290.38	-0.9	7.22	5.22	17.26	1.02	1302.32	1306.55	1306.74	1288.65	1405.62 2/9/91	1066.91 25/1/91	1845.77 8/9/89	54.83 9/1/75
30	Media (24)	1543.17	+0.6	6.33	3.54	19.86	1.22	1533.58	1514.28	1518.05	1301.83	1565.67 20/9/91	1166.91 16/1/91	1565.67 20/9/91	1166.91 16/1/91
31	Packaging, Paper & Printing (17)	748.86	+0.1	7.07	4.43	17.15	0.22	747.80	740.80	737.99	587.27	788.41 9/9/91	486.96 16/1/91	788.41 9/9/91	43.46 6/1/75
34	Stores (32)	1059.15	-0.9	6.97	3.41	19.01	1.89	1068.95	1063.83	1068.73	847.98	1068.95 20/2/92	766.89 29/1/91	1160.58 29/7/87	52.63 6/1/75
35	Textiles (10)	638.20	+1.2	7.19	4.85	17.73	0.53	630.39	626.95	628.41	448.29	662.30 1/11/91	396.58 28/1/91	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (126)	1224.95	-0.7	9.85	5.41	12.81	6.34	1233.40	1226.48	1226.11	1115.90	1330.48 2/10/91	961.05 16/1/91	1330.48 2/10/91	58.63 6/1/75
41	Business Services (16)	1395.62	-0.9	7.19	4.70	17.69	0.07	1408.45	1394.44	1397.64	1050.14	1451.74 16/1/92	892.28 1/2/91	1451.74 16/1/92	892.28 1/2/91
42	Chemicals (21)	1501.23	-0.9	6.68	4.88	18.50	0.44	1514.96	1508.47	1503.69	1203.61	1520.52 2/9/91	1004.01 16/1/91	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (11)	1323.58	-0.2	10.94	7.65	11.13	3.11	1326.26	1315.07	1316.67	1450.10	1626.42 14/3/91	1203.24 23/12/91	1819.46 11/8/89	975.19 10/11/87
44	Transport (14)	2407.16	-0.6	5.27	4.69	25.05	2.46	2422.08	2397.30	2389.99	2029.79	2448.16 17/1/92	1730.87 23/1/91	2554.69 12/7/89	90.80 29/6/62
45	Electricity (16)	1195.11	-0.9	15.17	6.22	8.58	17.21	1206.17	1203.40	1211.02	1118.82	1286.51 2/10/91	994.96 7/1/91	1286.51 2/10/91	994.96 7/1/91
46	Telephone Networks (4)	1406.90	-0.3	11.15	4.46	11.71	15.96	1411.54	1405.26	1404.99	1254.38	1658.67 2/10/91	1085.95 16/1/91	1658.67 2/10/91	517.92 30/11/84
47	Water (10)	2402.39	-2.1	17.76	6.62	6.20	0.00	2453.60	2467.82	2456.75	2411.71	2539.85 6/9/91	2134.83 16/1/91	2539.85 6/9/91	1820.20 1/5/90
48	Miscellaneous (24)	1839.56	-0.6	5.57	5.31	24.52	0.95	1850.45	1830.93	1827.33	1775.36	2033.42 15/8/91	1506.17 16/1/91	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (482)	1307.92	-0.2	8.07	4.45	15.48	3.17	1311.16	1305.86	1310.59	1134.72	1326.09 6/9/91	991.97 16/1/91	1326.09 6/9/91	59.01 13/12/74
51	Oil & Gas (18)	2015.89	+0.9	9.48	6.99	13.92	8.11	1998.01	2004.55	2068.59	2262.41	2509.42 23/7/91	1998.01 20/2/92	2528.70 3/8/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1375.39	-0.1	8.22	4.71	15.30	3.56	1377.19	1372.64	1381.59	1229.77	1424.90 2/9/91	1092.04 16/1/91	1424.90 2/9/91	63.49 13/12/74
61	FINANCIAL GROUP (87)	720.97	+0.5	–	6.47	–	0.71	717.64	717.15	717.04	771.08	859.94 15/3/91	667.36 16/1/91	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	887.02	+1.3	4.60	6.05	43.50	1.59	875.52	872.33	870.55	814.77	990.15 6/9/91	695.08 15/1/91	990.15 6/9/91	62.44 12/12/74
65	Insurance (Life) (6)	1415.77	.....	–	6.03	–	0.00	1415.30	1416.82	1411.87	1414.09	1632.53 4/9/91	1220.74 16/1/91	1632.53 4/9/91	44.88 2/1/75
66	Insurance (Composite) (7)	480.47	-0.1	–	9.07	–	0.00	481.00	481.50	483.77	690.10	728.27 15/3/91	462.25 23/12/91	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (10)	976.00	.....	7.92	6.84	16.61	1.80	976.39	989.19	991.07	1030.61	1202.38 5/4/91	932.88 23/1/91	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	479.19	-0.1	–	4.47	–	0.00	479.77	479.77	479.27	401.43	498.05 15/11/91	327.70 16/1/91	547.59 12/10/87	31.21 7/1/75
69	Property (33)	754.22	-0.9	7.63	6.02	17.94	0.44	761.10	761.91	764.17	1009.20	1087.65 15/3/91	754.22 21/2/92	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (14)	247.23	+0.5	8.04	7.04	16.42	0.00	246.08	245.30	245.80	273.66	298.63 15/3/91	225.10 23/12/91	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (68)	1175.00	+0.2	–	3.73	–	2.02	1172.81	1172.41	1182.49	1102.85	1261.80 6/9/91	947.19 16/1/91	1323.81 4/1/90	71.12 13/12/74
99	ALL-SHARE INDEX (654)	1219.36	.....	–	4.89	–	2.90	1220.01	1216.45	1223.50	1117.02	1284.07 6/9/91	987.46 16/1/91	1284.07 6/9/91	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 20	Feb 19	Feb 18	Feb 17	Feb 14	Year ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX♦	2542.3	-1.1	2555.1	2541.9	2543.4	2536.7	2565.9	2541.0	2513.9	2314.3	2679.6 2/9/91	2054.8 16/1/91	2679.6 2/9/91	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Feb 21	Day's change %	Thu Feb 20	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	122.46	.....	122.46	1.89	1.65
2	5-15 years (26)	136.67	-0.17	136.91	1.80	2.77
3	Over 15 years (9)	147.96	-0.33	148.44	2.57	0.88
4	Irredeemables (6)	164.99	-0.09	165.14	3.41	0.00
5	All stocks (67)	134.76	-0.13	134.94	1.95	2.21
	Index-Linked					
6	Up to 5 years (2)	169.40	-0.02	169.43	0.09	1.37
7	Over 5 years (9)	149.00	-0.20	149.30	0.57	0.90
8	All stocks (11)	150.68	-0.18	150.94	0.50	0.95
9	Debs & Loans (62)	119.55	.....	119.61	3.40	0.51

	AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 21	Thu Feb 20	Year ago (approx.)	1991/92 High	1991/92 Low
	British Government						
1	Low	5 years	8.60	8.57	9.26	10.14 16/1/91	8.42 12/11/91
2	Coupons	15 years	9.16	9.12	9.55	10.24 2/1/91	9.10 18/2/92
3	(0%-7¾%)	20 years	9.16	9.12	9.71	10.26 2/1/91	9.10 18/2/92
4	Medium	5 years	9.41	9.37	10.09	11.15 2/1/91	9.37 18/2/92
5	Coupons	15 years	9.24	9.19	9.93	10.62 2/1/91	9.18 18/2/92
6	(8%-10¾%)	20 years	9.20	9.16	9.86	10.50 2/1/91	9.14 18/2/92
7	High	5 years	9.65	9.61	10.25	11.25 2/1/91	9.59 18/2/92
8	Coupons	15 years	9.34	9.29	10.06	10.80 2/1/91	9.28 18/2/92
9	(11%-)	20 years	9.27	9.23	9.96	10.67 2/1/91	9.21 18/2/92
10	Irredeemables		9.34	9.32	9.89	10.46 2/1/91	9.29 18/2/92
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	3.64	3.61	3.67	4.48 15/7/91	3.59 18/1/91
12	Inflation rate 5%	Over 5 yrs.	4.30	4.28	4.14	4.45 31/12/91	4.09 18/2/91
13	Inflation rate 10%	Up to 5 yrs.	2.95	2.92	2.21	3.60 9/7/91	2.13 21/2/91
14	Inflation rate 10%	Over 5 yrs.	4.11	4.09	3.95	4.27 31/12/91	3.90 12/4/91
15	Debs &	5 years	10.83	10.85	12.10	12.63 9/1/91	10.77 12/2/92
16	Loans	15 years	10.62	10.62	11.72	12.38 18/1/91	10.59 12/2/92
17		25 years	10.46	10.45	11.44	12.16 18/1/91	10.45 13/2/92

♦Opening index 2555.1; 9 am 2547.6; 10 am 2542.9; 11 am 2545.7; Noon 2544.3; 1 pm 2546.2; 2 pm 2547.2; 2.30 pm 2545.7; 3 pm 2545.5; 4.10 pm 2541.9; (a) 8.30am (b) 4.10pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. Tel: 071-702 0991. CONSTITUENT CHANGES: ADDITION: Whessoe (7); DELETION: Thomas Robinson Group (7).

LONDON TRADED OPTIONS

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
Allid Lyons (*631)	600	52½	63½	82½	9	24½	30½
	650	22½	37½	56½	30½	47½	54½
ASDA (*40)	40	–	5½	6½	–	6	8
	43	2½	–	–	7½	–	–
Brit. Airways (*269)	260	20½	25½	37½	8	16½	19½
	280	9	16	24½	15½	22½	27
SmKl Beecham A (*929)	900	55½	83½	105	19	32½	41½
	950	29½	58½	78½	43½	56½	63½
Boots (*487)	460	24½	33½	45½	9½	17	21
	500	5½	13½	25	34	40	42
B.P. (*238)	240	19½	24½	28½	4	8	11½
	260	9	15	20	12½	18½	21½
British Steel (*75)	70	7	9½	9	1½	4	5½
	80	2	4½	5½	7	9½	10½
Bass (*548)	525	38	49½	65½	8½	16½	20
	550	23	34	50½	19	27½	30½
C & Wire (*598)	550	61½	71½	84½	5	13½	19½
	600	26½	40½	55½	20	32½	39½
Courtaulds (*531)	500	48½	59½	72½	5½	15	19½
	550	17½	29½	44½	22½	37½	42½
Com. Union (*446)	420	27½	37½	42½	10½	15½	22
	460	7½	16½	24	34½	39½	43½
Fisons (*373)	360	27	37½	50½	13½	22	27
	390	11½	27	37½	32½	39	42½
GKN (*337)	330	15	22	27	17½	22	27
	360	4	10	25½	38½	40½	45½
Grand Met. (*944)	900	67½	96½	114	10	19½	26½
	950	37	64½	85	28	38	46½
I.C.I. (*1296)	1250	58½	96½	115	32	45½	63½
	1300	32½	70½	88½	56½	70½	88½
Kingfisher (*530)	500	44½	52½	62½	6½	15	19½
	550	14	24½	35½	27½	37½	38
Ladbroke (*225)	220	13	19½	35½	11	15	19½
	230	8½	–	–	16½	–	–
Land Secur (*451)	420	40½	45½	50½	2½	10	12½
	460	14½	19½	27½	16½	28	30½
M & S (*321)	300	20½	26½	34½	6½	13	15½
	330	5½	11½	20	21½	29½	31½
Sainsbury (*380)	360	29½	35½	45½	3	8	10½
	390	11½	19	28	14½	22	24
Shell Trans. (*448)	420	26	40	48	6½	10½	15½
	460	7	10½	27	31	34	34
Storehouse (*108)	100	11½	15½	18	2½	5½	7½
	110	5½	10	12½	6	9½	11½
Trafalgar (*142)	140	12½	15½	21½	8	14½	17½
	160	4½	8½	14½	20	27	29½
Utd Biscuits (*406)	390	24½	32½	41½	6	13½	18
	420	7½	17½	26	25	29	33½
Unilever (*964)	900	75	94½	117	8½	16	21½
	950	39	63	86½	23½	33½	38½
Ultramar (*233)	220	17	–	–	–	–	–
	240	7	–	–	21	–	–

Option		CALLS May	Aug	Nov	PUTS May	Aug	Nov
Brit Aero (*309)	300	20	32	30½	27	35	40½
	330	11	20½	–	46	54½	–
BAA (*577)	550	52	60	75	11½	18½	23½
	600	24½	34	48½	31½	40	46
BAT Inds (*653)	650	33½	43½	53½	26½	39½	48½
	700	15	24½	32½	58½	70½	76½
BTR (*409)	390	29½	40	45½	10½	12½	17
	420	10½	21	27½	25	28½	35
Brit. Telecom (*332)	330	19	27	31½	9½	16	20
	360	7	13	18	28½	32½	34½
Cadbury Sch (*468)	460	28½	44½	50½	19	26½	32½
	500	13	25½	32½	43½	46½	50½
Eastern Elec (*248)	240	–	23½	27½	–	14½	16½
	250	14½	–	–	13½	–	–
Guinness (*576)	550	40½	56½	67½	13½	18½	21
	600	16½	30	40½	37½	42½	47½
GEC (*207)	200	16	20	22	4	7½	9½
	220	3½	9½	13	13½	18	20
Hanson (*213)	200	20½	24	27	3½	5½	7½
	220	8½	12½	16	11	13½	16
LASMO (*199)	180	25½	31	35½	7½	10	13½
	200	14½	19½	26	16½	20	23
Lucas Inds (*118)	110	14	16	19	4½	6½	10
	120	7½	11½	14	8½	11	15
P. & O (*389)	390	23	32	39½	32	36	44½
	420	11½	21	27	52½	56½	63½
Pilkington (*133)	130	13	14½	20	8	12½	15½
	140	7½	10½	14½	13½	19	21
Prudential (*230)	220	15½	21½	25½	6½	11	13½
	240	6½	12½	14½	20	21½	24½
R.T.Z. (*534)	500	42½	56½	66½	12½	17	22½
	550	16	28½	42½	35½	41½	52½
	600	5½	–	–	73½	–	–
Scot. & New (*449)	420	44½	52½	57½	7	12½	16½
	460	20	28½	36½	22½	30½	33½
Tesco (*253)	240	18	26	29½	6	9	10½
	260	9	14½	19½	15½	18½	21
	280	3½	–	–	31	–	–
Thames Water (*371)	360	30½	36½	43½	11½	21	24
	390	16½	21½	30	25	36½	39½
Vodafone (*355)	330	37½	43	52	6½	11	14
	360	20	26	36	18½	24½	27½
	390	9½	15	–	38½	42½	–

Option		CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
Abbey Nat. (*294)	280	15½	22½	27	6	9	12½
	300	3½	12½	17½	16½	20	24
Amstrad (*30)	25	4½	7	8½	1	2½	3½
	30	2½	4½	6½	2½	5	6
Barclays (*388)	360	30½	35½	40½	4	12½	17½
	390	7½	19½	24½	19	26	32½
Blue Circle (*263)	260	11	18½	25	8	17½	21½
	280	3½	10½	–	17½	29½	–
British Gas (*250)	240	13½	18	23½	3	8	10
	260	3½	8½	13½	11½	19	21
Dixons (*245)	240	12½	24½	28	5	12½	16
	260	3½	14½	15½	16	21	24
Eurotunnel (*447)	420	40	63½	78½	13	25	36½
	460	21	43½	58½	33½	43	53½
Glaxo (*824)	800	38½	81½	103	18½	40	56
	850	17	55	76½	44½	65½	82½
Hawker Sidd. (*775)	750	35	42½	–	½	15	–
	800	12½	22½	–	–	–	–
Hillsdown (*151)	140	14	24	23½	2	7½	9½
	160	4	9½	12½	10	17	18
Lonrho (*130)	130	9	16½	19½	7½	12½	16½
	140	5	11½	14½	15½	19	22
Midland Bk (*230)	220	14½	27½	32½	6	12½	16½
	240	6½	16½	23	14½	23	26
National Power (*213)	205	12½	21½	25½	2½	6½	10
	215	5½	16½	19½	6	10½	14
Reuters (*1159)	1150	31½	85	115	25½	60	75
	1200	19	61½	88½	55	88	100
R. Royce (*140)	140	4½	8½	12	8½	11	13
	160	½	2½	6	26	26	27½
Scottish Power (*101)	100	3½	9	10	3½	6	9½
	110	½	4½	5½	9	11	16
Sears (*104)	100	6½	10	11½	2	7	8
	110	1½	5	7	7½	11½	13½
Forte (*230)	220	14	20	22½	3	10	12½
	240	3½	9	13½	11½	20½	12½
Thorn EMI (*810)	800	25½	55½	58	9½	20½	33½
	850	4½	28	33½	39	47½	60
TSB (*127)	120	8	15	16	1½	3½	7
	130	3½	9½	11	5½	9½	10½
Vaal Reefs (*$58)	50	10	13	14	½	2½	3½
	60	3½	7	9	3½	6	7
Wellcome (*1104)	1100	43	95	127	30½	61½	78
	1150	22½	69½	102	60	88½	105

EURO FT-SE INDEX (*2542)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Feb	165	116	69½	29½	8½	2	½	½
Mar	188	146	103	71½	44½	24	13½	6
Apr	–	174	–	104	–	53½	–	23½
Jun	–	211	–	148	–	94½	–	55½
Sep	–	255	–	190	–	135	–	93
Dec	–	280	–	220	–	167	–	115
PUTS								
Feb	1	2	4½	14½	42½	84½	133	182
Mar	10½	17	27	42	63½	93	133	173
Apr	–	34½	–	62	–	110	–	177
Jun	–	49½	–	81	–	125	–	165
Sep	–	63	–	95	–	138	–	187
Dec	–	80	–	108	–	145	–	190

FT-SE EUROTRACK 100 INDEX (*1159)

	1025	1050	1075	1100	1125	1150	1175	1200
CALLS								
Mar	–	100	75	53	33	20½	6½	2
Jun	150	130	105	87½	–	–	–	–
PUTS								
Mar	–	4	5	6½	10	18½	31	56½
Jun	8½	10½	14	19½	–	–	–	–

FT-SE INDEX (*2542)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Feb	193	144	96	51½	16½	3½	1	½
Mar	213	168	129	89	59	36½	20	9½
Apr	237	196	157	123	93	66	45½	30
May	255	216	179	146	115	88½	66½	48½
Jun	–	236	–	162	–	106	–	61½
Dec †	–	300	–	233	–	177	–	132
PUTS								
Feb	1	2	3½	10½	24½	63½	111	161
Mar	11	15	23½	36	57	85	122	164
Apr	22½	31	43	56½	76½	104	137	176
May	32½	41½	56	70	90½	115	144	179
Jun	–	47½	–	78½	–	129	–	187
Dec †	–	79½	–	111	–	150	–	210

February 21 Total Contracts 16,337
Calls 9,550 Puts 6,787
FT-SE Index Calls 2,132 Puts 3,047
Euro FT-SE Calls 58 Puts 472
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	40	Ladbroke	17	Sears	7½	■ OILS	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	38	Lex Service	18	TI	48	BP	22
Asiec (BSR)	8	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	18	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	■ MINES	
Bowater	55	Glaxo	70	Racal Elect	4½	■ PROPERTY		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

INTERNATIONAL COMPANIES AND FINANCE

BSN enters Perrier fray with FFr6bn bid for Exor

By Alice Rawsthorn in Paris

BSN, the French food group, yesterday raised the temperature in the fight for Perrier mineral water by launching a FFr6bn ($1.07bn) counter-bid for Exor, the French property company that controls Perrier, against the Agnelli family.

The BSN bid marks a new phase in the Perrier *affaire*, which has turned into a bitter battle since Nestlé, the Swiss food group, last month mounted a FFr13.42bn hostile bid for Perrier with Indosuez, the powerful Parisian bank.

BSN has secured the support of both Nestlé, one of its chief competitors in the European food market, and Indosuez in the bid for Exor, which controls 35 per cent of Perrier.

The French food group is also being assisted by Lazard, another prominent Paris bank and BSN's biggest single shareholder. It had, until recently, been seen as an ally of the Agnellis.

The BSN camp is offering FFr1,420 for each Exor share, valuing the company at just over FFr6bn. This pitches its bid above the FFr1,320 offered by Ifint, an Agnelli vehicle, late last year.

Given that the Italian family speaks for 54 per cent of Exor, it would be impossible for BSN to win outright control without the Agnellis' consent.

The announcement of the BSN bid, after the Paris stock market had closed, followed a day of frantic speculation. Early yesterday the French stock market authorities issued a statement suspending Exor's shares pending the announcement of an "imminent counter-bid".

BSN was immediately mooted as a likely candidate. It is an established partner of the Agnellis, with whom it has several joint ventures. However, it appeared to switch allegiance in the Perrier bid by agreeing to buy Volvic, a Perrier water, from Nestlé, thereby reducing the risk of monopoly problems if the latter's bid succeeded.

Yesterday there was speculation in the French press that BSN had been trying to engineer a rapprochement between Nestlé and the Agnellis, possibly by counter-bidding for Exor. Exor's chairman, Mr Jacques Vincent, who also heads Perrier, has led the fight against Nestlé and Indosuez.

"BSN is in a difficult position," said Mr John Graham, European food analyst at UBS:Phillips & Drew in London. "The Perrier battle has become very messy. BSN is helping Nestlé by buying Volvic, but it will also want to protect its joint ventures with the Agnellis."

Meanwhile, the legal battle over Perrier should come to a head next week when the French commercial courts conclude two critical cases.

Also next week, Exor and its allies – Société Générale, the French bank, and Saint Louis, the sugar company – will discover whether they will be forced to comply with a recent French stock market ruling to make a full bid for Perrier.

Air Canada blames weak demand for record loss

By Robert Gibbens in Montreal

AIR CANADA, the country's biggest airline, yesterday blamed record losses of C$218m (US$183.1m) for 1991 – against losses of C$74m a year earlier – on the long North American recession and weak demand on key Atlantic routes.

The loss - which works out at $2.94 a share compared with $1.01 – was more than analysts had expected.

Looking ahead, however, Mr Claude Taylor, chairman, said: "Competitive pricing in an economy moving into a gradual recovery will bring more growth in demand in the second half." The airline forecasts a poor 1992 first half.

Air Canada cut its operations and staff last year in response to the post-Gulf war recession. This, however, was not enough to stem rising losses. The number of employees was reduced by 11 per cent to 30,600 at the end of the year.

Operating revenues for 1991 were C$3.56bn, down 9 per cent, while operating expenses dipped by 4 per cent. The final operating loss, before special charges for staff reductions, was C$164m against an operating profit of C$50m in 1990.

The number of passengers carried fell 16 per cent to 9.9m, and the average load factor came to 68.5 per cent against 71.4 per cent.

The airline's debt rose sharply in the year, to C$2.1bn, after it added 12 Airbus A320s and three Boeing 747-400s to its fleet. Recent Canadian tax changes broadened the financing options for the country's airlines, but Air Canada says the gap between Canadian and US financing costs remained significant.

Air Canada is to add the three 747-400s to its Atlantic routes in March. It will also modify two 747-200 combination passenger-cargo aircraft to all-passenger. This will increase available seat miles by 10 per cent in 1992.

Mr Taylor said the priority was restoring profitability. The airline also aims to restore lost market share and achieve greater penetration on all its routes.

This week the airline named Mr Hollis Harris, former head of Delta Air Lines, as president and chief executive. The post had been open for two years following the resignation of Mr Pierre Jeanniot, who had led the privatisation of Air Canada. Mr Taylor, 66, continues as chairman.

Time Warner soars on shake-up

By Martin Dickson in New York

SHARES IN Time Warner, the large US media group, rose sharply yesterday morning as Wall Street reacted positively to a management shake-up involving the resignation in a policy dispute of Mr Nicholas Nicholas, president and heir apparent to Mr Steven Ross, the chairman.

Time Warner announced Mr Nicholas's unexpected departure late on Thursday, after the closure of the New York Stock Exchange. It said he had been replaced as president and co-chief executive by Mr Gerald Levin, the group's chief operating officer.

Shares in the group, which has been dogged by controversy ever since the 1989 merger between Time, the blue-chip publishing house, and Warner Communications, a much brasher film and entertainment group, stood at $100⅞ at lunchtime, up $2⅞.

Mr Nicholas, aged 52, had a mixed reputation on Wall Street, where he was seen as a good manager, but possibly lacking the rapport with creative artists helpful in running a media business.

Despite this, Mr Nicholas had been due to succeed Mr Ross under the terms of the 1989 merger between Time and Warner Communications. Mr Ross himself is undergoing treatment for prostate cancer.

Mr Nicholas, 52, had a mixed reputation on Wall Street, where he was seen as a good manager, but one possibly lacking a rapport with creative artists

Mr Levin, who is also 52, is highly regarded by brokers' analysts, who view him as a good manager with a creative touch and understanding of the film industry.

In the 1970s he was closely involved in Time's development of its Home Box Office cable television channel, which specialises in showing feature films.

Although both Mr Nicholas and Mr Levin are veterans of the Time side of the business, and were both closely involved in the negotiation of the controversial 1989 merger, company executives said Mr Levin had grown much closer to Mr Ross and his ideas on the group's future.

Mr Nicholas gave no details of the clashes which led to his departure. He said merely that "for a company to fulfil its potential requires a clear strategic focus shared totally by its leadership". There was sufficient difference between himself and the management and board that his resignation should "enable a single and consistent view to prevail".

However, company insiders suggested there had been a series of clashes between Mr Nicholas and Mr Ross over Time Warner strategy decisions.

These appear to have included the terms of an agreement last autumn, under which Time Warner sold a 12.5 per cent stake in its film and cable business to Japanese companies, Toshiba and C. Itoh, for $1bn. The group has also been looking for strategic partners in Europe.

They may also have involved a decision for the highly-indebted company to raise $2.7bn last year through a controversial rights issue of shares, which had to be embarrasingly restructured when it ran into investor opposition.

Japanese electronics groups forced to slice profit forecasts

By Steven Butler in Tokyo

RICOH, the office equipment and camera company, and Omron, the electronic control equipment maker, have sharply lowered profits forecasts for the fiscal year ending next month.

The two companies are joining a growing list of Japanese electronics-makers facing a sudden decline in demand for electronic goods at home and abroad. Although most companies are reporting higher sales than a year ago, margins are collapsing rapidly as sales on a scale originally planned for have failed to materialise.

As a result, electronics companies are having to slash prices to move inventories, while making efforts to cut factory output.

Ricoh, a leading maker of small copiers and facsimile machines, said it expected consolidated pre-tax profits to plunge 90 per cent to Y3.7bn ($28.8m). Four months ago, it said profits would reach Y27bn. Ricoh expects to slip into the red by Y1.6bn after paying taxes.

Sales are still expected to rise compared to last year, by 1.6 per cent to Y1,020bn.

Omron said its consolidated pre-tax profits would decline by 54.1 per cent to Y20bn, while net profits would be off 62.7 per cent to Y8bn. Sales would rise by 3.4 per cent to Y480bn. Omron blamed the decline in profits on a decrease in investment in plant and equipment, as well as a drop in demand for durable consumer goods.

Other leading Japanese companies also lowered their forecast profits yesterday:

- Nippondenso, Japan's biggest producer of automotive electrical goods and a leading supplier to Toyota Motor, reported a 24.6 per cent decline in pre-tax profits to Y83.05bn in 1991.

The decline mirrors the weak results of automotive companies, which have been reporting slow car sales at home and abroad.

Nippondenso's sales fell by 2.4 per cent during the year, to Y1,345.8bn. Sales of air-conditioning equipment were off by 3.9 per cent to Y472.2bn, while radiator sales rose by 5.4 per cent to Y88bn.

The company forecast that sales would rise to Y1,400bn in the current year, but that net profits would recover only marginally to Y46.5bn.

After-tax profits declined by 11.2 per cent to Y45.5bn. The full-year dividend was unchanged at Y14 a share.

- Victor Company of Japan (JVC), the audio equipment maker, expects group pre-tax losses of Y4.4bn and parent pre-tax losses of Y2.8bn for the year to March, Reuter reports.

As recently as last October the company forecast group pre-tax profits of Y27.5bn and parent pre-tax profits of Y17bn. JVC blamed the lower projections on poor sales of audio-visual equipment and a rise in sales costs as well as a stronger yen.

- Kyocera, the big electronic components maker, lowered its forecast of parent pre-tax profits to Y40.70bn for the year to March, down 27 per cent from the Y56.09bn earned a year ago, Reuter reports. This compares with a November forecast of Y44.10bn.

The downward revision is based on poor domestic sales of its products, including semiconductor components, and a foreign exchange loss.

- Komatsu, a leading maker of construction machinery, forecast group pre-tax profit for the year to March of Y40bn, down 37 per cent from its estimate of Y64bn made in November, AP-DJ reports.

It forecast group net profits at Y11bn, down 52 per cent on its earlier forecast, and consolidated sales of Y930bn, down 5.1 per cent on its initial estimate.

Komatsu blamed poor market conditions, notably in the US, with a rapid fall-off in worldwide demand for construction machinery. It said it would be hit by carmakers' moves to hold off investment in plant and equipment.

Low prices hit Saga Petroleum

By Karen Fossli in Oslo

SAGA PETROLEUM, Norway's biggest independent oil company, yesterday reported a slide in 1991 net profit to NKr777m ($120m) before extraordinary items. Despite record sales of North Sea oil, the group was hit by lower crude prices and a write-down of its shares in Elkem, the metals group.

The previous year Saga recorded profits of NKr1.11bn.

The decline was due to lower average crude oil prices – which fell by NKr10 a barrel to NKr133 – and a NKr335m charge for an unrealised loss on the value of its 12.4 per cent stake in Elkem, the troubled Norwegian light metals producer. Saga had previously valued its Elkem stake at NKr469m. It has written down Elkem's share price to NKr75.

"The financial result was negative by NKr588m after being weighed down by an unrealised loss on the value of the shareholding in Elkem," Saga explained. In the previous year financial costs were just NKr154m.

Elkem closed NKr0.50 down at NKr60 on the Oslo bourse on Friday, while Saga finished NKr0.50 higher at NKr74.

Saga's operating profit last year improved by NKr103m to NKr1.37bn.

Group revenue rose by NKr722m in 1991 to NKr4.59bn, while operating costs increased by NKr619m to NKr3.22bn.

Sales of petroleum products rose by NKr495m to NKr3.41bn, which included the sale of 20.5m barrels of oil, up from 17m in 1990. Gas sales rose by 116m cubic metres to 350m cubic metres.

Saga said crude oil production rose to a record 23.3m barrels, of which 2.9m barrels was royalty paid in kind to the state.

The company expects to boost crude oil production by 10 per cent in 1992, helped by the Snorre oil field coming on stream in September and reaching a peak output capacity of 180,000 barrels a day.

Investments in oil and gas developments rose by NKr71m to NKr1.58bn in 1991.

Saga said it had restructured its debt to improve liquidity and meet long-term needs. It also made a NKr826m unrealised foreign exchange gain.

Lufthansa braced for tough year

By Andrew Fisher in Frankfurt

LUFTHANSA, the German airline, said yesterday it expected its financial woes to continue this year after a poor start in January. It told employees to brace themselves for a round of cost-cutting, job reductions, and intensified efforts to sell more seats and cargo space.

"Economic weakness, competitive pressures, and overcapacity amid aggressive worldwide competition will make life hard – even more so than in 1991," the management board said in the house magazine.

The airline, which is 52 per cent state-owned, has already said its losses for last year would total around DM400m ($250m). It never managed fully to offset the high losses of the first quarter, which was badly affected by the effect of the Gulf war.

The board said demand in January 1992 was still well below expectations, and that the month produced a similar loss to that of December.It had therefore decided on a package of measures to reduce costs and improve performance.

This will involve pulling more aircraft out of service and not taking delivery of some for which orders were in prospect for 1993 and putting a block on most hiring and consideration of early retirements. Other measures would require all departmentsto cut budgeted 1992 costs by a further 3 per cent.

Passenger and freight business would also be improved so that seat-load and cargo-use factors return to 70 per cent from between 60 and 65 per cent last year.

Gota slides to deficit of SKr2.1bn

By Robert Taylor in Stockholm

GOTA Group, Sweden's fourth largest bank, has unveiled a deficit of SKr2.1bn ($351.3m) for last year, following a sharp rise in bad debt provisions. The loss compares with a profit of SKr1.18bn in 1990.

In 1991 the provisions jumped to SKr3.77bn, which amounted to 4.6 per cent of loan volume. This contrasts with SKr982m of bad debts for the previous year, equal to 1.1 per cent of loans volume.

"It is a very weak result," admitted Mr Gabriel Urwitz, chief executive. He refused to make any forecast for this year, saying "that depends too much on how the Swedish economy grows and it is too early to say anything about that".

However, he was able to draw comfort from the assistance being provided for the group from its largest shareholder, Trygg-Hansa, the Swedish insurance company.

Last December it provided a SKr1.5bn emergency loan when Gota revealed it expected a Skr1.4bn operating loss. This boosted Gota's capital ratio to 11.2 per cent.

The worsening bad debts stem partly from loans to the ailing finance company, Gamlestaden, last autumn.

Gota's net interest income fell to SKr3.33bn last year from Skr3.81bn in 1990.

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1991/92	Low 1991/92
Gold per troy oz.	$351.95	-2.05	$358.75	$403.25	$345.25
Silver Per troy oz	235.70p	-0.35	185.15p	280.55p	183.35p
Aluminium 99.7% (cash)	$1295	+7.5	$1524	$1570	$1082.5
Copper Grade A (cash)	£1261.25	+7.25	£1283	£1472	£1147.0
Lead(cash)	£285.75	+3.75	£302	£382.5	£279.00
Nickel (cash)	$7970	-80	$8782.5	$9237.5	$7090.0
Zinc SHG (cash)	$1108.5	-17	$1194.5	$1430	$990.25
Tin (cash)	$5665	+25	$5590	$5915	$5425.0
Cocoa Futures (May)	£692	-6	£631	£829	£596
Coffee Futures (Mar)	£459	-15	£549	£619	£459
Sugar (LDP Raw)	$207.9	+10.8	$213.2	$293	$194
Barley Futures (May)	£118.45	-1.25	£118.8	£122.95	£107.75
Wheat Futures (Mar)	£127.35	+3.25	£128.8	£141.10	£111.80
Cotton Outlook A Index	55.65c	+0.15	84.70c	86.25c	55.50c
Wool (64s Super)	470p	+16	365p	470p	329p
Oil (Brent Blend)	$17.825x	-0.625	$16.50	$29.15	$16.75

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Apr.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.40-5.55w	+.125
Brent Blend (dated)	$17.95-8.05	+.125
Brent Blend (Apr)	$17.80-7.85	+.075
W.T.I. (1 pm est)	$18.80-8.85w	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$203-205	
Gas Oil	$165-166	-1
Heavy Fuel Oil	$69-70	+2.5
Naphtha	$181-183	-2
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$351.95	-1.45
Silver (per troy oz)♣	412c	+2
Platinum (per troy oz)	$359.55	-3.55
Palladium (per troy oz)	$84.35	-1.90
Copper (US Producer)	105.44c	+0.44
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.26r	+0.03
Tin (New York)	262.5c	+2
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.38p	-0.61*
Sheep (live weight)†♣	103.11p	+0.79*
Pigs (live weight)†	85.60p	+1.20*
London daily sugar (raw)	$207.90y	+2.80
London daily sugar (white)	$265.00y	+0.50
Tate and Lyle export price	£226.50	+1.50
Barley (English feed)	£120	
Maize (US No. 3 yellow)	£146.50	-0.50
Wheat (US Dark Northern)	Unq.	
Rubber (Mar)♥	51.50p	
Rubber (Apr)♥	51.75p	
Rubber (KL RSS No 1 Mar)	208.50m	+1
Coconut oil (Philippines)§	$582.5v	
Palm Oil (Malaysian)§	$377.50q	
Copra (Philippines)§	$457.50y	
Soyabeans (US)	£151	-1
Cotton "A" index	55.65c	-0.05
Wooltops (64s Super)	470p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	179.80	185.40	185.80	180.00
May	181.00	187.40	187.60	180.60
Aug	185.00	192.00	191.80	185.00
Oct	188.00	192.80	193.00	188.00
White	**Close**	**Previous**	**High/Low**	
May	263.0	265.5	265.2	262.0
Aug	268.0	269.8	269.5	267.0
Oct	258.0	263.8	263.5	257.5
Mar	251.0		254.0	

Turnover: Raw 388 (2651) lots of 50 tonnes. White 997 (681)
Paris- White (FFr per tonne): May 1489.05 Aug 1536.82

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Apr	17.82	17.84	17.87	17.71
May	17.75	17.74	17.78	17.63
Jun	17.71	17.73	17.71	17.59
Jul	17.65	17.66	17.68	17.58
Aug	17.58	17.68	17.58	
Oct	17.72	17.70	17.72	
Nov	17.71		17.71	
IPE Index	17.79	17.48		

Turnover 17000 (17165)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Mar	163.00	164.50	165.00	162.50
Apr	161.50	162.50	163.25	161.50
May	160.25	161.50	161.50	
Jun	162.50	162.75	162.50	161.75
Jul	165.25	164.75	165.35	163.75
Aug	167.00	167.00	167.00	165.50
Sep	169.50	169.50	169.50	168.25

Turnover 9900 (8129) lots of 100 tonnes

SPICES
Jamaica pimento sold out in US until Apr/May shipment, reports Man-producten. Europe quoting $2,500 a tonne spot. Indian chili market very firm; stemless quoted at 92 to 94 cents. Cassia/cinnamom – no change. Cloves – Madagascar/Commores/Zanzibar resellers $1,425-$1,400 for feb/mar shipment, afloat $1,500; spot hardly available. Ginger – Indian, Cochin very firm, prices up from $925 to $1,100 for Mar/Apr shipment. Nigerian available spot $950 ex-warehouse. Nutmegs/mace – no change. Turmeric firm; Madras fingers from $920 to $975, ground from $910 to $975, all of Europe, Feb/Mar shipment.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	665	671	672	662
May	692	698	699	688
Jul	720	728	728	717
Sep	742	751	752	742
Dec	775	785	786	775
Mar	807	815	816	805

Turnover: 4623 (3676) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb.20 683.50 (662.44) 10 day average for Feb.21 648.59 (648.95)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
Mar	811	835	835	810
May	839	852	853	836
Jul	871	890	885	870
Sep	897	920	910	895
Nov	925	940	928	921
Jan	940	960	947	943

Turnover 4131 (7373) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb. 20: Comp. daily 58.01 (54.98) 15 day average 56.37 (56.49)
Sterling close: March £460

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	120.0		117.0	
Apr	119.5	119.5	119.5	119.0
May	139.0	139.0	139.5	138.7
Apr	127.0		127.0	125.5

Turnover 45 (42) lots of 20 tonnes.

SOYABEAN MEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	126.50	126.60	126.50
Jun	124.00	124.50	124.00

Turnover 12 (262) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Feb	1228	1230	1235	1225
Mar	1265	1274	1268	1261
Apr	1285	1293	1290	1280
Jul	1105	1103	1105	
Oct	1235	1230	1240	1235
BFI	1247	1260		

Turnover 236 (213)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
Mar	123.45	123.25	124.00	123.45
May	127.35	127.20	128.00	127.35
Jun	129.05	128.85	129.30	129.05
Sep	112.30		112.10	
Nov	115.70	115.55	115.85	115.60
Jan	119.35		119.50	119.20
Mar	122.85		122.85	
Barley	**Close**	**Previous**	**High/Low**	
Mar	115.25	115.75	115.50	115.35
May	118.45	118.85	118.50	
Sep	108.25		108.00	

Turnover: Wheat 426 (223), Barley 103 (222).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	117.8	120.0	120.0	117.8
Apr	115.5	117.0	117.0	115.5
May	114.2	116.5	115.7	114.2
Jun	113.5	115.7	114.0	113.0
Jul	108.8	109.0	109.2	108.5
Aug	108.0		108.0	

Turnover: 151 (23) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 22,516 lots
Cash	1294.5-5.5	1266-7		1285.5-7.5		
3 months	1319-20	1291-2	1331/1268	1291-2	1326-30	147,074 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,495 lots
Cash	1261-1.5	1261.5-2.5	1265	1266-6.5		
3 months	1285-5.5	1287.5-8	1292/1286	1291-1.5	1289-9.5	121,857 lots
Lead (£ per tonne)						Total daily turnover 1,459 lots
Cash	285.5-6	287-7.5	285.5	285.5-6		
3 months	296.75-7	298-8.5	302/296.5	298.75-7.25	301-2	14,619 lots
Nickel ($ per tonne)						Total daily turnover 4,805 lots
Cash	7965-75	7945-55		7960-80		
3 months	8025-35	8000-5	8045/7980	8010-5	8045-50	22,895 lots
Tin ($ per tonne)						Total daily turnover 868 lots
Cash	5660-70	5605-10	5670	5665-80		
3 months	5700-5	5640-50	5725/5670	5710-5	5710-5	5,412 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,161 lots
Cash	1108-9	1108-7	1104/1103.5	1103-3.5		
3 months	1127-8	1125.5-6	1175/1115	1122-3	1130-1	43,158 lots

LME Closing US rate:
SPOT: 1.7475 3 months: 1.7237 6 months: 1.7009 9 months: 1.6824

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	351.80-352.10	
Opening	353.50-353.80	
Morning fix	353.25	202.123
Afternoon fix	351.60	201.378
Day's high	353.70-354.00	
Day's low	350.80-351.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.51	6 months	3.54
2 months	3.50	12 months	3.56
3 months	3.50		

Silver fix	p/fine oz	US cts equiv
Spot	236.10	410.25
3 months	241.00	414.40
6 months	246.60	418.85
12 months	256.35	428.80

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	351.75-352.75	201.50-202.00
Maple leaf	362.50-363.60	207.50-208.00
New Sovereign	87.00-88.00	50.00-50.50

TRADED OPTIONS

Aluminium (99.7%) (Feb. 20) Strike price $ tonne	Calls Mar	Calls Jun	Puts Mar	Puts Jun
1200	77	117	2	21
1300	13	56	38	60
1400	1	24	125	124
Copper (Grade A) (Feb. 20)	**Calls**		**Puts**	
2100	119	136	1	14
2200	30	68	11	44
2300	1	27	82	102
Coffee	**May**	**Jul**	**May**	**Jul**
850	52	88	13	18
900	24	58	35	37
950	10	37	71	66
Cocoa	**May**	**Jul**	**May**	**Jul**
675	35	80	18	18
700	23	47	31	27
725	15	35	48	40
Brent Crude	**Apr**	**May**	**Apr**	**May**
1800	33	51	40	
1850	15			
1900	8	19	129	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	350.8	353.2	352.3	351.4
Mar	351.5	353.6	0	0
Apr	352.5	354.7	353.5	351.5
Jun	354.7	356.8	355.7	353.7
Aug	356.9	358.9	357.8	355.8
Oct	359.1	361.0	0	0
Dec	360.9	363.3	362.5	360.7
Apr	363.5	364.7	363.5	361.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	360.1	360.1	0	0
Apr	358.6	361.8	360.9	358.1
Jul	359.3	361.5	360.5	358.5
Oct	362.4	364.6	362.8	361.0
Jan	362.6	364.8	363.0	362.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	409.3	411.9	0	0
Mar	409.8	412.3	411.5	408.0
Apr	411.3	413.7	0	0
May	413.2	415.6	415.5	411.0
Jul	416.3	418.7	418.0	415.0
Sep	419.7	422.1	420.0	420.0
Dec	425.2	427.4	427.0	425.5
Jan	426.9	429.0	0	0
Mar	431.2	433.2	432.0	431.0
May	435.7	437.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	101.00	101.50	101.15	100.90
Mar	101.10	101.55	101.70	100.50
Apr	100.75	101.10	100.80	100.40
May	100.40	100.80	100.90	99.80
Jun	100.15	100.20	100.10	99.90
Jul	99.85	99.85	.05	99.30
Aug	99.70	99.65	99.25	99.25
Sep	99.60	99.50	99.50	99.50
Oct	99.45	99.35	99.20	99.20
Nov	99.40	99.25	99.10	99.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.77	18.74	18.84	18.60
May	18.86	18.90	18.96	18.73
Sep	18.95	19.04	19.04	18.96
Nov	19.03	19.05	19.03	19.02
Jan	19.02	19.05	19.02	19.01

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5280	5284	5320	5225
Apr	5295	5285	5310	5210
May	5200	5221	5240	5185
Jun	5180	5193	5205	5155
Jul	5215	5216	5236	5185
Sep	5410	5409	5425	5410
Nov	5620	5614	5620	5620
Dec	5725	5714	5725	5715

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1070	1082	1080	1065
May	1091	1108	1103	1087
Jul	1127	1142	1136	1125
Sep	1162	1177	1171	1161
Dec	1214	1228	1218	1210
Mar	1242	1260	1250	1245
May	1266	1286	1276	1276
Jul	1291	1309	0	0
Sep	1330	1340	1331	1330
Dec	1366	1376	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	66.80	69.20	69.70	66.65
May	69.55	71.90	71.80	69.10
Jul	72.40	74.85	74.60	72.00
Sep	75.25	77.60	77.45	75.00
Dec	78.70	81.10	80.75	78.70
Mar	82.90	85.00	84.00	82.50
May	86.25	88.25	0	0
Jul	88.00	89.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.15	8.46	8.50	8.05
May	8.13	8.48	8.50	8.06
Jul	8.23	8.52	8.56	8.22
Oct	8.38	8.62	8.62	8.35
Mar	8.58	8.82	8.62	8.56
May	8.60	8.85	0	0
Jul	8.65	8.88	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	53.17	53.62	54.00	52.86
May	55.50	56.47	56.00	55.06
Jul	56.87	56.80	57.30	56.50
Oct	58.95	59.22	59.40	58.90
Dec	59.50	59.85	60.00	59.50
Mar	60.85	61.22	61.20	61.20
May	61.30	61.75	0	0
Jul	61.65	62.30	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	140.05	141.90	143.20	140.05
May	136.25	138.65	138.30	135.00
Jul	134.90	137.00	137.00	134.90
Sep	132.00	133.25	133.65	132.00
Nov	123.35	126.00	126.10	123.35
Jan	123.25	126.00	126.30	123.25
Mar	123.25	126.00	125.05	125.05
May	123.25	126.00	0	0
Jul	123.25	126.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb.21	Feb.20	mnth ago	yr ago
1608.3	1601.1	1602.8	1685.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb.20	Feb.19	mnth ago	yr ago
Spot	119.48	119.07	118.05	127.57
Futures	122.61	121.90	120.37	127.88

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	576/6	577/6	579/4	575/2
May	586/4	587/2	589/2	584/6
Jul	596/2	597/4	598/6	594/4
Aug	600/4	601/4	602/4	599/0
Sep	603/6	604/6	605/4	602/4
Nov	613/2	614/4	615/4	611/2
Jan	622/0	623/0	625/0	621/2
Mar	631/6	633/4	634/4	631/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.58	19.53	19.60	19.45
May	19.89	19.84	19.95	19.75
Jul	20.19	20.15	20.25	20.05
Aug	20.35	20.33	20.36	20.23
Sep	20.47	20.45	20.53	20.38
Oct	20.60	20.56	20.66	20.52
Dec	20.97	20.87	21.00	20.82
Jan	21.02	20.92	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	174.6	174.1	174.9	173.6
May	177.2	176.7	177.8	176.5
Jul	180.2	179.7	180.6	179.4
Aug	181.3	180.8	181.8	180.7
Sep	182.4	182.2	182.8	182.0
Oct	197.1	197.0	198.0	196.8
Dec	198.8	198.0	200.0	198.1
Jan	199.0	0	199.6	199.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	263/6	264/2	265/0	263/0
May	271/2	272/0	272/6	270/4
Jul	276/6	277/6	278/2	276/0
Sep	273/4	274/6	274/6	273/0
Dec	270/2	272/2	272/0	269/6
Mar	276/2	278/2	277/6	276/0
May	280/0	281/6	281/0	280/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	415/4	417/4	421/0	414/0
May	414/0	415/2	418/4	411/0
Jul	392/2	395/6	396/2	389/4
Sep	396/0	400/0	402/4	393/6
Dec	404/6	409/0	411/0	404/0
Mar	408/0	411/4	410/0	404/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	78.475	78.900	78.900	78.200
Apr	77.575	77.975	77.975	77.525
Jun	73.550	73.625	73.700	73.550
Aug	69.200	69.150	69.375	69.025
Oct	69.025	69.075	69.075	68.850
Dec	69.500	69.700	69.700	69.450
Feb	69.000	69.100	69.200	69.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.175	41.625	42.000	40.325
Apr	40.875	41.175	41.160	40.650
Jun	45.500	45.600	45.775	45.200
Jul	45.600	45.800	45.850	45.400
Aug	44.425	44.600	44.550	44.325
Oct	41.425	41.550	41.450	41.100
Dec	44.050	43.975	44.150	43.875
Feb	44.950	44.900	44.950	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	34.800	35.775	35.650	34.800
Mar	34.700	35.775	36.000	34.600
May	36.275	36.925	37.150	36.200
Jul	37.275	37.925	38.025	37.225
Aug	36.875	37.250	37.550	36.825
Feb	47.750	47.850	0	47.750
Mar	47.000	47.000	0	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar consolidates its gains

THE dollar traded in a narrow range of between DM1.64 and DM1.65 yesterday, content to consolidate the gains of recent days, *writes Peggy Hollinger.*

The US currency managed one brief rally to DM1.6565 on the back of a large buying order rumoured to have been the institutional investor, American Trust. However, it soon drifted back to below DM1.65 in what traders described as a "very, very thin market".

The dollar closed in London a touch stronger at DM1.6495, compared with DM1.6470 on Thursday.

Economists stressed that the dollar's quiet day did not mean the market was turning bearish. "A positive sentiment continues to be driven by the view that the US economy is recovering and interest rates have bottomed out," said Dr Gerard Lyons, chief economist at DKB International.

There was a subdued atmosphere on foriegn exchanges around the globe with the most notable feature being the lack of movement in virtually all currencies.

The dollar/yen rate was slightly stronger, although fears of central bank intervention kept most players away. The Bank of Japan was rumoured to have been checking prices overnight. The dollar closed at Y128.70, compared with Y128.50.

Sterling fell against the D-Mark early in the day as an opinion poll suggested a four-point lead for the Labour Party over the Conservatives in the forthcoming general election. The pound fell to DM2.8775 on the news, although it recovered to close unchanged at DM2.8825.

"Opinion polls will become even more important to the market [in sterling]," said Mr David Cocker, treasury adviser at Chemical Bank.

The pound remained firmly on the floor of the exchange rate mechanism, even when the peseta eased against the D-Mark during the day. This should have allowed it a greater cushion, said Mr Michael Feeny of Sumitomo Bank. He suggested that, as a result, sterling's recent resilience within the ERM had not been real. "It has been forced up as the floor has gone up," he said.

By the end of the day, however, the peseta was only slightly weaker at 62.64 per D-Mark, compared with 62.62 on Thursday.

The D-Mark continued to strengthen against the Swiss franc, reinforcing fears that the Swiss National Bank was pursuing a policy of back door devaluation. The D-Mark closed at 90.57 centimes, compared with 90.42 on Thursday.

The Canadian dollar enjoyed early gains against the US unit, as better than expected inflation figures gave the currency support. Trade was thin, however, as the market was looking ahead to a statement on economic policy next week.

£ IN NEW YORK

Feb.21	Latest	Previous Close
£ Spot	1.7445-1.7455	1.7517-1.7527
1 month	0.85-0.84pm	0.86-0.84pm
3 months	2.55-2.53pm	4.83-4.78pm
12 months	8.57-8.50pm	8.66-8.42pm

Forward premiums and discounts apply to the US dollar

EXCHANGE CROSS RATES

Feb.21	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.747	2.883	224.8	9.800	2.608	3.245	2163	2.067	59.30	1.411
$	0.572	1	1.650	128.7	5.610	1.493	1.857	1238	1.183	33.94	0.808
DM	0.347	0.606	1	77.97	3.399	0.905	1.126	750.3	0.717	20.57	0.489
YEN	4.448	7.771	12.82	1000.	43.59	11.60	14.44	9622	9.195	263.8	6.277
F Fr.	1.020	1.783	2.942	229.4	10.	2.661	3.311	2207	2.109	60.51	1.440
S Fr.	0.383	0.670	1.105	86.20	3.758	1	1.244	829.4	0.793	22.74	0.541
N Fl.	0.308	0.538	0.888	69.28	3.020	0.804	1	666.6	0.637	18.27	0.435
Lira	0.462	0.808	1.333	103.9	4.531	1.206	1.500	1000.	0.956	27.42	0.652
C$	0.484	0.845	1.395	108.8	4.741	1.262	1.570	1046	1	28.69	0.683
B Fr.	1.686	2.946	4.862	379.1	16.53	4.398	5.472	3648	3.486	100.	2.379
Ecu	0.709	1.238	2.043	159.3	6.945	1.848	2.300	1533	1.465	42.03	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates inch ahead

RATES edged up across the board, as the UK money markets digested the effects of a weaker sterling and an opinion poll favouring the Labour Party in a forthcoming election.

Players interpreted these two factors as implying that the window of opportunity for an imminent base rate cut in the UK had narrowed.

The key three-month interbank rate, which closely shadows base rates, closed 1/16 of a point higher than at the opening at 10 5/16-3/16 per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

On the futures exchange, the March short sterling contract tumbled 10 points to its lowest close of the week at 89.80. However, this still implies that the market is expecting a rate cut before the contract falls due on March 18.

The favourite date for a cut in UK rates appears to be within two days after the budget on March 10. "People have given up on the chance of an immediate cut in rates," said a senior dealer. This would mean more paper being offered in the next few weeks, he added.

The overnight rate stayed within a narrow range, neither expensive nor surprisingly cheap. The rate, which hit 10 11/16 per cent at its highest, closed at 10¼-1/8 per cent.

The forecast shortage was larger than in recent days at £1.05bn, with most of the shortfall arising from bills falling due for repurchase by the market. Treasury bills and maturing assistance also put a squeeze on liquidity, although this was more than offset by injections from exchequer transactions.

The Bank of England made its presence known early in the morning with a £347m purchase of band two treasury and bank bills at 10⅜ per cent, and paper for resale to the market on March 12 and 13 at 10 7/16 per cent. Further operations saw the Bank offering another repurchase agreement, falling due on the same dates, totalling £50m at 10 7/16 per cent.

In the afternoon, the Bank offered to buy band one and two bank bills totalling £442m at 10⅜ per cent, and provided late assistance of £160m. This left the market £51m short.

In Germany, sufficient reserve levels helped call rates ease from 9.50/60 per cent to 9.45/55 per cent. Traders said they did not expect call money to ease much further.

In the US, the Federal Reserve stayed out of the market as funds were trading below the perceived 4 per cent target at 3 15/16 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.21) 3 months US dollars: bid 4 5/16, offer 4 7/16

BANK RETURN

BANKING DEPARTMENT	Wednesday February 19, 1992		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	119,865,324	+	3,507,875
Bankers Deposits	1,417,472,676	-	125,477,874
Reserve and other Accounts	3,278,476,379	+	100,767,694
	4,830,367,379	-	19,162,367
ASSETS			
Government Securities	1,200,901,528	-	3,600,000
Advance and other Accounts	2,238,284,576	+	23,328,508
Premises Equipment & other Secs	1,375,357,683	-	46,792,830
Notes	12,090,704	+	7,897,360
Coin	223,498	+	4,604
	4,830,367,379	-	19,162,367
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,437,900,206	-	47,897,360
Notes in Banking Department	12,099,794	+	7,897,360
	15,450,000,000	-	40,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	7,245,183,217	+	450,465,625
Other Securities	8,193,801,683	-	490,465,625
	15,450,000,000	-	40,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Crédit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association

FINANCIAL FUTURES AND OPTIONS

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. Φ Bargains done the previous day.

British Funds, etc
No. of bargains included 1883

Exchequer 10½% Stk 2005 - £109¾

Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) - £118⅝ (19Fe92)

Corporation and County Stocks
No. of bargains included 2

Birmingham Corp 3½% Stk 1946(or after) - £32

Birmingham District Council 11½% Red Stk 2012 - £106¼ ½ (18Fe92)

Bristol(City of) 11½% Red Stk 2008 - £104¾ (19Fe92)

Leeds(City of) 13½% Red Stk 2006 - £117½

Manchester(City of) 11.5% Red Stk 2007 - £107¾ (18Fe92)

Oldham Met Borough Council 11.25% Red Stk 2010 - £104¾ (18Fe92)

UK Public Boards
No. of bargains included 3

Agricultural Mortgage Corp PLC 8½% Deb Stk 92/94 - £90

7¾% Deb Stk 91/93 - £95

10¾% Deb Stk 92/95 - £99¾ (19Fe92)

Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £54½ (19Fe92)

Scottish Agric Sec Corp 7¼% Deb Stk 90/92 - £97¾

Foreign Stocks, Bonds, etc-(coupons payable in London)
No. of bargains included 81

Ireland(Republic of) 9¾% Stk 91/96 - [illegible]

Southern Electric PLC 10¼% Bds 2002 (Br £Var) - £100¾ (14Fe92)

State Bank of New South Wales Ld 12¾% Nts 2001(BrSAVar) - $A107¼ ¾

Sweden(Kingdom of) 10¼% Bds [illegible] - [illegible] (14Fe92)

9¾% Nts 1993 (BrSC1000&10000) - SC101 6 2.1 (18Fe92)

Tarmac Finance (Jersey) Ld 9½% Cnv Cap Bds 2006 (Reg £1000) - £84¼ ½ [illegible]

9½% Cnv Cap Bds 2006(Br £5000&50000) - [illegible] (14Fe92)

Building Societies

Registered Housing Associations

Commercial, Industrial, etc

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Breweries and Distilleries

Electricity

Financial Trusts, Land, etc

Insurance

Investment Trusts

Mines - Miscellaneous

Mines - South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water

Miscellaneous Warrants

USM Appendix

Rule 535(2)

Court Commodity Trust - £1.385 (14Fe92)

Select Industries PLC Ord 2½p - £0.13 0.135 0.135‡ 0.14 0.145‡ 0.15

Shepherd Neame Ld "A" Ord £1 - £4.4 5¾

Southern Newspapers PLC Ord £1 - £2¾ 2.3

Sun Oil Britain Ld Oil Royalty Stk Units 1p - £0.45 (19Fe92)

Sutton Harbour Hldgs Ld Ord 25p - £3.7

Transatlantic Hldgs PLC Ord 50p - £3.1 (17Fe92)

Vista Entertainments PLC Ord 5p - 0¾ (18Fe92)

Weetabix Ld "A" Non.V Ord 25p - £9.4

Wynnstay Properties PLC 25p - £1

Yates Bros Wine Lodges PLC Ord 25p - £0.85 (19Fe92)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Applied Magnetics Corp £25
Aust. Foundation Inv A$1 97 (18/2)
Cape Range Oil 17φ
Churchill Resources 7
City Developments S$4 04 (14/2)
Forest Laboratories $34.93φ
Harland (John H) Co $23 (18/2)
Kulim Malaysia Ord 28 (19/2)
Leighton Hldgs A$1.56 (17/2)
Malaysian Plantations M$0.73 (17/2)
Niugini Mining A$[illegible]
North Flinders Mines 165 (19/2)
Oil Search 10 (18/2)
Palabora Mining R67 (18/2)
Regal Hotels (Hldgs) HK$1.01 (19/2)
Robinson & Co S$5 8
Selangor Coconuts 25 (14/2)
Selangor Properties $0.52
Singapore Land S$5.4 (17/2)
Storer Communications SK$65.79

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LONDON STOCK EXCHANGE

Budget hopes steady equity nerves

By Terry Byland, UK Stock Market Editor

EXPECTATIONS of an expansionary budget from the UK government on March 10 continued to shield the UK stock market from the effects of this week's barrage of bad news from the international oil companies. Share prices closed steadily ahead of the opening on Monday of the last equity trading account before Budget Day.

London benefited initially from the effects of Wall Street's overnight gain of 50 points on the Dow Industrial Average, which had prompted advances across the range of other European bourses. But gains were soon eliminated as the stock index futures reacted sharply to a weaker trend in sterling and to the latest UK public opinion polls which indicated a lead of four points for the UK opposition Labour party.

Account Dealing Dates		
First Dealings:		
Feb 10	Feb 24	Mar 9
Option Declarations:		
Feb 20	Mar 5	Mar 19
Last Dealings:		
Feb 21	Mar 6	Mar 20
Account Day:		
Mar 2	Mar 16	Mar 30

New-time dealings may take place from 8.30 am two business days earlier.

The implications for dividend yields in the UK market of the disappointing statements from BP and Shell also kept share prices subdued yesterday. By the close of trading, the market was no more than mixed.

The final reading put the FT-SE Index at 2,542.3 for a net loss on the day of 1.1 points. In early trade, the market was ahead by 11.7 but lost impetus as, once again, the institutions stayed away from UK equities until the outlook is clearer.

The Footsie 2,550 mark is still seen as an important hurdle and strategists remained confident for the near term outlook in equities. A cut of half a point in UK base rates between Budget Day and the general election, expected on April 9, has now been virtually discounted by the London stock market.

At last night's close, the FT-SE Index showed a gain of 25.1, or nearly one per cent, over the two week equity account. The gain came this week on sudden hopes in the City that interest rates might be cut earlier than expected.

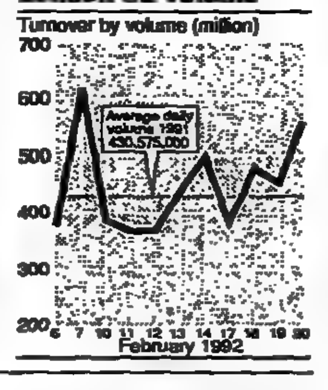
However, Mr Ian Harnett at Strauss Turnbull was among those to warn that the trading results from BP and Shell may have sharply changed the market's earnings profile for the medium to longer term, and that projections of a fall of 12 per cent in earnings may now be shifting to around 17 per cent.

This could undermine many projections for UK equities both for this year and next. Confidence in London is also restrained by continuing worries over what is seen as an over-generous valuation of Wall Street.

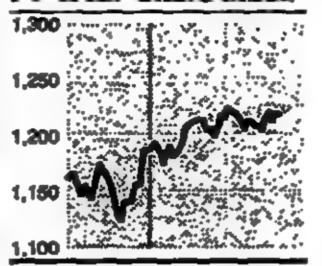
Good results from Lloyds Bank helped London yesterday but left unanswered the underlying rumours that the UK banking sector will be the stage for a substantial restructuring during the current profits season.

● Retail, or customer, volume in equities rose sharply at the beginning of the week on hopes of early cuts in base rates but has now receded.

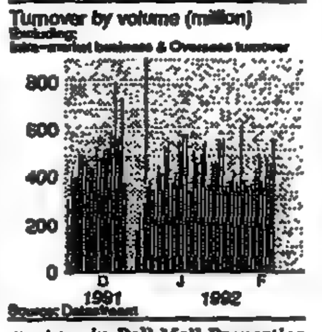
London SE volume



FT-A All-Share Index



Equity Shares Traded



Source: Datastream

FINANCIAL TIMES STOCK INDICES

	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	88.21	88.37	88.29	88.47	88.26	85.57	88.47 (18/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	101.21	101.40	101.56	101.52	101.23	94.18	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1982.9	1980.4	1975.3	1983.7	1970.6	1848.7	2108.3 (2/9/91)	1806.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	130.6	136.8	135.8	135.9	139.0	127.0	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2542.3	2543.4	2536.7	2555.9	2541.0	2314.3	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1182.66	1179.07	1172.55	1178.75	1170.10	1072.68	1198.80 (3/9/91)	938.62 (16/1/91)	1198.80 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.63	4.61	4.62	4.60	4.63	5.21				
●Earning Yld %(full)	6.68	6.65	6.67	6.64	6.68	10.85				
●P/E Ratio(Net)(☆)	18.73	18.82	18.77	18.87	18.74	11.13				
SEAQ Bargns 4.45pm	36,143	32,671	31,684	33,560	29,887	31,193				
Equity Turnover(£m)†	-	1,345.5	1,013.6	995.40	832.60	829.14				
Equity Bargains†	-	32,702	32,525	34,008	29,851	31,906				
Shares Traded (ml)†	-	560.6	458.9	484.6	380.1	395.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.65

Ordinary Share Index, Hourly changes Day's High 1999.2 Day's Low 1982.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1999.2	1993.0	1986.6	1987.3	1985.5	1987.0	1987.4	1985.7	1985.0

FT-SE 100, Hourly changes Day's High 2555.1 Day's Low 2541.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2555.1	2547.6	2542.9	2545.7	2544.3	2546.2	2547.2	2545.5	2545.1

FT-SE Eurotrack 200, Hourly changes Day's High 1186.10 Day's Low 1175.53

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1180.13	1178.86	1178.32	1183.78	1184.96	1185.64	1180.85

GILT EDGED ACTIVITY

Indices*	Feb 20	Feb 19
Gilt Edged Bargains	85.6	91.8
5 – Day average	90.3	90.4

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	107	485	+12
[illegible] Group	11,000	38½	+1½
Abbey National	745	284	
[illegible]	1,800	64	+½
Allied-Lyons	1,100	[illegible]	-5
Amstrad	2,600	38½	+1½
Anglian Water	323	384	-7
Argos	2,500	292	+7
Argyll Group	1,500	346	+2
Arjo Wiggins	625	245	
Ass. Brit. Foods	484	482	-7
BAA	708	577	-1
BAT Inds	1,400	[illegible]	-8
BET	7,400	189	
BICC	338	521	-1
BOC	1,400	[illegible]	-12
BPB Inds	1,500	187	+1
BTR	3,800	[illegible]	-3
Bank of Scotland	332	113	-1
Barclays	2,500	387	+2
Bass	697	[illegible]	-7
Berisford Int.	12,000	20	-5½
Blue Circle	2,300	203	+2
Booker	353	482	-1
Boots	1,800	487	-7
Bowater	338	747	+1
Brit. Aerospace	7,200	310	+10
British Airways	3,100	[illegible]	+2
British Gas	3,900	[illegible]	-2
British Land	1,400	247	-1
BP	30,000	258½	+4½
British Steel	11,000	74½	+1
[illegible]	2,100	[illegible]	-1½
[illegible]	6,700	129½	-1
Bunzl	11	[illegible]	
Burmah Castrol	1,300	515	+4
Burton	2,400	37½	
Cable & Wire.	1,200	[illegible]	-3
Cadbury Schweppes	874	[illegible]	-1
Calor Group	65	[illegible]	
[illegible]	161	[illegible]	+5
Coats Viyella	880	186	+3
Comm. Union	328	445	

	Volume 000's	Closing Price	Day's change
Cookson	4,600	116	
Courtaulds	888	531	-5
Dalgety	738	384	+4
De La Rue	484	[illegible]	
Dixons	3,300	246	-5
ECC Group	487	511	
[illegible] Elect.	1,200	248	-6
East Midland Elect.	513	280	-3
[illegible]	46	389	-1
[illegible]	463	447	+2
[illegible]	37	58½	+½
Ferranti	[illegible]	8	
Fisons	1,000	372	
Forte	1,100	230	-1
Gen. Accident	1,000	[illegible]	+6
General Elect.	3,100	[illegible]	
Glaxo	5,700	[illegible]	+9
Glynwed Int.	[illegible]	271	
Granada	[illegible]	[illegible]	-3
Grand Met.	1,800	944	-10½
GUS A	115	[illegible]	-17
GRE	[illegible]	121	-2
GKN	[illegible]	337	-1
Guinness	1,900	[illegible]	
Hammerson 'A'	141	[illegible]	-11
Hanson	4,600	212½	
Hanson Warrants	3,300	20	
Harrisons Crosfield	248	[illegible]	-2
Hillsdown	1,900	151	-3
IMI	[illegible]	244	
ICI	[illegible]	[illegible]	-12
Inchcape	2,600	[illegible]	-13
[illegible]	[illegible]	500	-2
Kwik Save	205	[illegible]	-3
Ladbroke	4,700	225	-6
Land Securities	816	451	-6
Laporte	187	[illegible]	-3
Legal & General	1,000	[illegible]	+4
Lloyds Abbey	[illegible]	396	+6
Lloyds Bank	6,600	404	+17
LASMO	2,100	[illegible]	-5
London Elect.	1,700	276	-6
Lonrho	2,800	126½	-½

	Volume 000's	Closing Price	Day's change
Lucas	1,100	118	-½
MB Caradon	88	[illegible]	
MEPC	767	[illegible]	-6
Manweb	423	316	-5
Marks & Spencer	4,400	311	-6
Midland Bank	1,400	330	-6
Midlands Elect.	817	287	-7
NFC	1,800	[illegible]	-5
NatWest Bank	4,400	[illegible]	+7
National Power	2,900	213	-2
Next	7,000	[illegible]	
North West Water	1,100	380	-6
Northern Elect.	275	271	-5
Northern Foods	813	571	-4
Norweb	148	[illegible]	-6
[illegible]	[illegible]	751	+2
P & O	1,300	587	-15
Pilkington	[illegible]	133	[illegible]
PowerGen	1,400	222	-2
Prudential	3,400	230	-1
RHM	14,000	206	-8
RMC	138	[illegible]	-2
RTZ	484	[illegible]	
Racal	4,500	55	-2
Rank Org.	182	[illegible]	-1
Reckitt & Colman	1,200	[illegible]	[illegible]
Redland	770	[illegible]	-10
Reed Intl.	[illegible]	541	+3
Rentokil	[illegible]	394	-2
Reuters	608	1150	+8
Rolls Royce	3,100	140	+2
Rothmans	464	1081	
Royal Bk Scotland	5,800	171	+3
[illegible]	1,300	[illegible]	-7
Saatchi	30,000	16¾	+¾
Sainsbury	1,400	380	+3
Scottish & New.	807	[illegible]	+3
Scot. Hydro-Elect.	4,800	103½	+½
Scottish Power	[illegible]	101½	-1
Sears	1,000	[illegible]	-1
Sedgwick	[illegible]	218	+1
Seeboard	571	[illegible]	-4
Severn Trent Water	873	[illegible]	-9

	Volume 000's	Closing Price	Day's change
Shell Transport	15,000	448	+8
Siebe	248	[illegible]	+4
Slough Ests.	206	210	-1
Smith (W H) A	1,100	[illegible]	+8
Smith & Nephew	1,800	151½	+2½
SmKl Beecham	1,600	[illegible]	-4
SmKl Beecham Uts.	172	[illegible]	-30
Smiths Inds.	[illegible]	394	
Southern Elect	2,400	273	-1
South Wales Elect	297	313	-3
South West Water	[illegible]	382	-6
South West. Elect	21	279	-3
Southern Water	476	337	-5
[illegible]	1,200	[illegible]	+6
Storehouse	[illegible]	108	
Sun Alliance	778	[illegible]	+2
T&N	[illegible]	116	-1
TI Group	75	611	+6
TSB	5,700	137	+½
Tarmac	2,800	117	-3
Tate & Lyle	777	[illegible]	-1
Taylor Woodrow	2,400	107	-3
Tesco	3,200	[illegible]	+1
[illegible]	1,000	371	-8
Thorn EMI	74	[illegible]	-3
Tomkins	521	[illegible]	
[illegible]	1,100	142	-1
[illegible]	8	[illegible]	+2
Unigate	1,800	287	
Unilever	2,000	[illegible]	+9
United Biscuits	1,300	[illegible]	
Utd. Newspapers	782	[illegible]	-2
Vodafone	2,300	355	+4½
Warburg (SG)	167	580	
Wellcome	[illegible]	1105	-2
Welsh Water	795	[illegible]	-6
Wessex Water	367	[illegible]	-6
[illegible]	815	[illegible]	-4
Williams Hldgs.	2,200	331	+3
Willis Corroon	[illegible]	243	-1
Wimpey	8,800	119	+1
Yorkshire Elec.	[illegible]	317	-3
Yorkshire Water	337	[illegible]	-8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

Bank dividend pleases

PROFIT figures from Lloyds Bank were at the very top end of analysts' expectations and triggered a steep rise in the share price. There was no news, however, regarding possible acquisitions from the troubled Midland Bank, which had been widely rumoured earlier in the week.

Lloyds' shares rose steadily throughout the day, closing a net 17 higher at 404p; turnover in the stock reached 5.6m, well ahead of usual levels of activity.

Dealers said the stock had responded to a flurry of support prompted by the good dividend. Analysts agreed that the bank had performed exceptionally well during a difficult period; "Lloyds is a core holding in the sector," said Mr Mike Fesemeyer at Nomura, the Japanese-owned investment bank. The Nomura analyst said Lloyds had focused on providing return on equity or shareholder value. "Some banks chose to focus on kudos and ego, while Lloyds chose to focus on profit and cash," said Mr Fesemeyer.

Shearson Lehman's banks team described Lloyds as "the quality stock in the sector," highlighting the bank's exceptional return on equity – "33 per cent against 32-3 per cent for the other banks", said Shearson's Chris Wheeler.

RHM setback

A profit downgrading by Barclays de Zoete Wedd and suggestions that another broking house had placed a substantial line of stock, knocked Rank Hovis McDougall (RHM) down 8 to 207p, in hefty turnover of 14 million shares. The placing was said to have involved a block of 6.1 million shares at 207½p.

BZW visited the company on Thursday and has decided to cut its profit forecast for the year to October 1992 from £115m to £110m and for the following financial year from £125m from £119m. The broker said that possible problems with the bread, milling and cake divisions had resulted in the downgrading.

Euro Disney firm

An announcement that Euro Disney is to join the CAC 40 – the top 40 listed shares in Paris – at the expense of Source Perrier, lifted the stock 40 to 1,555p. Turnover in London was a meagre 184,000 shares, compared with 2.1m in Paris. The move, scheduled to take place on March 19, will mean that funds tracking the CAC 40 will automatically buy into Disney.

Oils rally

A tumultuous week in the oils sector closed with the "majors" staging a determined fight back after a number of serious setbacks earlier in the week. BP rallied 4½ to 258½p after revealing details of its latest drilling at its Cusiana field in Colombia. BP has a 40 per cent stake in Cusiana as has Total of France. In New York, shares in Triton Energy, holder of 20 per cent of Cusiana, fell sharply following the announcement.

One London analyst said the Cusiana news was "certainly nothing to worry about. It's a good flow rate." Turnover in BP erupted again, totalling 30m shares and boosting the number of shares traded in BP since their disappointing preliminary resultds were published last week to more than 230m.

Shell, which dropped like a stone after its disappointing figures on Thursday, stabilised yesterday as large-scale switching out of Royal Dutch and into Shell in overnight deals in the US was absorbed. Shell ended another hectic trading session 8 higher at 448p with turnover topping 15m. The post-results analysts meeting did little to bolster confidence.

British Gas, announcing profits figures on Thursday – County NatWest expects historic net income of £1.275 bn against £1.211 bn – eased 2 to 252p on 3.9m.

Positive reflection on Glaxo's results saw the shares add 9 to 825p in brisk turnover of 5.7m. But the outlook for the shares remained uncertain in view of the doubt cast on prospects for sales of Zantac, Glaxo's highly successful anti-ulcer drug.

Specialist valve manufacturer Bespak, a tightly traded stock, gained 21 to 525p as a buyer moved into the market.

Vodafone outpaced the rest of the telecoms stocks, moving ahead to 357p before settling a net 4¼ firmer at 355p; turnover reached 2.3m shares. BZW prompted strong support.

BZW's telecoms team said it now saw a receding threat to Vodafone from PCN, the new personal communications network. BZW said it was now looking at one regional mobile competitor to Vodafone/Cellnet from 1993 with only two eventual competitors and fully national mobile coverage not until 1996 or 1997.

Previously it had expected three new regional PCN competitors by 1993 and a national PCN service and price competition by 1995.

A repeated buy recommendation from S.G. Warburg lifted Argos 7 to 292p. Warburg said the company came out well in a survey on staff costs and the implications of any introduction of a minimum wage if Britain adopts European Community regulations.

In the food manufacturing sector Berisford lost 5½ to 20p, on plans to raise £14.8m via a rights issue of loan stock. This is to provide finance for its associate company Rayner Coffee International after a sharp fall in coffee prices. Berisford is guaranteeing up to $115m in bank borrowings to Rayner, in which it holds a 45 per cent stake. Greencore fell 3 to 252p following the Irish government's decision to sell off 15 per cent of its stake. The sale comes one week before Irish high court inspectors are due to report on Greencore's financial dealings. Unilever maintained a firm tone, rising 9 to 964p on speculation that next Tuesday's figures will show a rise to £1.80-1.84bn in 1991 profits from £1.762bn.

Brokers Robert Flemings turned sellers on Ladbroke, the shares slipping 6 to 225p in busy turnover of 4.4m. The house also cut its profit forecast by £30m to £210m for 1992. Analyst Mr David Kadarauch, while not bearish on the fundamentals of the company, said: "I cannot see the basic trading position of the group improving until 1993."

Turnover in British Aerospace rose to 7.2 million as the shares jumped 10 to 310p after institutional investors bought stock to take advantage of Monday's dividend payout.

Vickers retreated 6 to 162p after Smith New Court reiterated its belief that the company would announce a dividend cut with Monday's full year results.

Bid speculation returned to Dowty Group sending the shares 2-1/2 higher at 122-1/2p on high volume of 6.4 million. Tiphook bounced from recent falls gaining 13 to 312 as bargain hunters picked up stock.

Cookson closed unchanged at 116p having touched 115p earlier in the session. There were reports that Kleinwort Benson had easily placed a block of 1.2 million shares. Total volume reached 4.6 million.

P & O were once again hurt by speculation of problems at Chelsfield, its joint venture partner in Pall Mall Properties. The shares fell 15 to 387p on turnover of 1.2m.

Saatchi & Saatchi attracted another wave of heavy buying interest, closing ¾ higher at 16¾p, with turnover topping the 30m-mark.

MARKET REPORTERS:
Christopher Price,
Colin Millham,
Joel Kibazo, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 11.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (78). AMERICANS (8) [illegible], Chrysler, Dial, Dun & Bradstreet, Eaton, IngersollRand, Loews, Whirlpool, BANKS (2) Deutsche, Standard Chartered, BREWERS & DISTILLERS (3) Guinness 5¼pc Prf., Do. 6¼pc Cv. '06-07, [illegible], BUILDING MATERIALS (8) [illegible], Hepworth, Heywood Williams, Kalon, Tilon, Wilshaw, BUSINESS SERVICES (2) Aaron & Harvey, Capita, [illegible], RCO, Serco, CONTRACTING & CONSTRUCTION (1) Maunders (J.), ELECTRICALS (1) Motorola, ELECTRONICS (8) ACT, Bowthorpe, Farnell, Hewlett-Packard, MTL Instrs., Micro 4, Micro Focus, [illegible], ENGINEERING GENERAL (4) Atlas Copco B, Black & Decker, Hall, Halma, Powerscreen, FOOD MANUFACTURING (6) Barr (AG), Cadburys, Clarke, Dalepak, Unilever, FOOD RETAILING (1) Argyll, HEALTH & HOUSEHOLD (1) Mayborn, HOTELS & LEISURE (1) Euro Disney, INVESTMENT TRUSTS (8) [illegible] Emrg. Mkts., General Cons. Stppd. Prf., Govett Atlantic, India Fund, Pacific Assets, S.E. Asian Fund Wrnts., TR Tech. Zero Prf., US Smllr. Co's., MEDIA (4) Central ITV, HTV, [illegible], Reuters, MISCELLANEOUS (2) Alumasc, Lionheart, MOTORS (4) [illegible], Cowie (T), Davenport Vernon, [illegible], OTHER FINANCIAL (1) M & G, OTHER INDUSTRIAL MATERIALS (1) ECC, PACKAGING, PAPER & PRINTING (1) De La Rue, PROPERTY (1) Hk Land, STORES (5) [illegible], Fine Art Devl., Lloyds Chemists, Do. 7.5p Prf., TEXTILES (5) [illegible], Usher (F), TRANSPORT (3) Brit. Airways, Do. Cap. 9¾pc Cv., CSX.

NEW LOWS (44). BUILDING MATERIALS (1) Ward Grp., BUSINESS SERVICES (1) Gardiner, CONGLOMERATES (3) Mosaic Invs., Porter Chadburn, Reece, CONTRACTING & CONSTRUCTION (2) AMEC, Sindall (Wm), ELECTRONICS (5) Acorn Computer, Gresham Telecomputing, Kewill Systems, P-E Intl., Rivo, ENGINEERING GENERAL (3) Brooke Tool, WB Inds., Wheway, FOOD MANUFACTURING (1) RHM, HOTELS & LEISURE (1) Allied Leis., INSURANCE COMPOSITE (1) Baloise, INVESTMENT TRUSTS (8) City of Oxford Inc., First Ireland Wrnts., Gartmore Euro. Wrnts., Gartmore Scotland Cap., TR Property, MERCHANT BANKS (1) Brown Shipley, METAL & METAL FORMING (1) Stainless Hammond, MISCELLANEOUS (1) Rhudon Hire, MOTORS (1) Mid-States, OIL & GAS (2) Bow Valley, Tuskar Res., PROPERTY (5) Cap. & Counties, Derwent Valley, Hammerson A, MEPC, Regalian, STORES (1) Ratners 6¾pc Prf., TRANSPORT (1) Tiphook, MINES (10) ERGO, East Daggs., Petrim, Joel (JH), Kalis Minerals, Kinross, North West Expl., Southvaal, St. Helena, Stilfontein.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	0	70	11	182	140	83
Other Fixed Interest	2	12	3	20	23	42
Commercial, Industrial	289	258	930	1,558	1,130	4,701
Financial & Property	136	95	561	604	525	2,832
Oil & Gas	17	19	56	75	125	256
Plantations	0	0	9	1	0	44
Mines	13	58	79	133	176	441
Others	42	36	51	197	166	266
Totals	499	548	1,700	2,770	2,285	8,665

EQUITY FUTURES AND OPTIONS TRADING

Directionless trading in stock index futures, with few significant features, saw the March contract drift away after a promising start, writes Christopher Price.

Following a 50-point overnight gain on Wall Street, March opened brightly, reaching 2,570 within minutes. This proved to be its high point however, with a poor poll for the Conservative party setting the negative tone for the rest of the session. The futures index fell back and by the mid-morning was trading at a discount to fair value.

A poor Wall Street provided little inspiration, the appearance of a number of sellers in the late afternoon completed a dispiriting day. London's lack of direction prompted some traders to move into the livelier Paris and Frankfurt futures markets.

March closed at 2,555, 9 down on the previous session and some 3 points above its estimated fair value premium to cash of about 10. Volume was a poor 4,437.

The LTOM also saw low volume of 16,337 contracts in what one trader described as "dull and lifeless" trading. There were no trades above 500 lots, Glaxo being the leading stock with 817, followed by Dixons (754) and Amstrad (720).

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.5252	-0.580	10.07	10.16	9.92
BELGIUM		9.000	06/01	101.4000	-	8.78	8.71	[illegible]
CANADA *		8.500	04/02	100.8000	+0.100	8.41	8.47	8.22
DENMARK		9.000	11/00	102.3000	-0.070	8.60	8.58	8.45
FRANCE	BTAN	8.500	03/97	99.0309	+0.004	8.75	8.78	8.65
	OAT	8.500	11/02	100.0800	-0.140	8.47	8.50	8.35
GERMANY		8.000	01/02	100.4000	-0.030	7.94	7.92	7.84
ITALY		12.000	02/02	98.4300	-0.030	112.27	12.31	12.23
JAPAN	No 119	4.800	06/99	95.3981	+0.152	5.59	5.79	5.47
	No 129	6.400	03/00	105.9203	+0.145	5.38	5.45	5.19
NETHERLANDS		8.250	02/02	98.4600	-	8.33	8.32	8.33
SPAIN		11.300	01/02	103.0800	+0.030	10.78	10.83	10.83
UK GILTS		10.000	11/96	102-01	-6/32	9.45	9.48	9.62
		9.750	08/02	102-22	-5/32	9.34	9.35	9.46
		9.000	10/08	98-19	-10/32	9.16	9.17	9.20
US TREASURY *		7.500	11/01	100-16	-4/32	7.42	7.45	7.05
		8.000	11/21	100-21	-11/32	7.94	7.93	7.81

London closing, *denotes New York morning session. Yields: Local market standard
† Gross (including Withholding Tax at 12.5pc payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1991 based on Thursday February 20 1992

Water	+	12.22	Other Groups	+	3.56
Building Materials	+	10.36	Conglomerates	+	3.45
Stores	+	10.35	Food Manufacturing	+	3.29
Media	+	9.21	500 Share Index	+	3.20
Motors	+	8.72	All-Share Index	+	2.86
Merchant Banks	+	8.34	Contracting, Construction	+	2.53
Brewers & Distillers	+	8.10	Banks	+	2.20
Chemicals	+	7.74	Business Services	+	1.05
Hotels & Leisure	+	7.52	Insurance Brokers	+	1.04
Other Industrial Materials	+	7.42	Telephone Networks	+	0.86
Engineering-General	+	7.25	Electricity	+	0.53
Electricals	+	7.05	Investment Trusts	+	0.39
Capital Goods	+	6.93	Health & Household	+	0.26
Metals & Metal Forming	+	5.99	Engineering-Aerospace	-	0.42
Electronics	+	5.96	Financial Group	-	[illegible]
Textiles	+	5.94	Gold Mines Index	-	2.36
Consumer Group	+	5.20	Property	-	3.22
Food Retailing	+	5.18	Insurance (Life)	-	[illegible]
Industrial Group	+	5.01	Insurance (Composite)	-	7.74
Packaging, Paper & Printing	+	4.86	Oil & Gas	-	10.27
Transport	+	3.85			

COMMODITIES

WEEK IN THE MARKETS

Coffee prices tumble to new lows

THE COFFEE markets in both London and New York have been tumbling this week in the face of overwhelming supplies and no prospect of a renewed international coffee agreement.

Robusta prices on the London Futures and Options Exchange (Fox) began the decline on Monday when the New York arabica market was closed for the Presidents' Day holiday. The retreat rapidly accelerated on Tuesday afternoon in London, when New York re-opened only to fall to the lowest levels for 17 years.

On Tuesday the London May contract closed at $851 a tonne, down $23, while New York's March contract lost more than 2 cents to close at 66.7 cents a lb.

Mr Lawrence Eagles, analyst with GNI, the London broker, pointed out that most market watchers were revising their crop forecasts upwards for this year. "The only thing that can push prices up now is a crop disaster or an International Coffee Organisation accord."

The Colombians, who were reported recently as saying their crop would be 16.7m bags (60 kilos each), on Thursday restated that they expected a crop of 16.2m bags, giving the market something of a lift. They have also re-emphasised at a US coffee convention in Florida that they are keen to make progress towards a renewed coffee pact. According to Reuters, the Colombian president will put pressure on President Bush for more support on the coffee pact when the two meet later this month in Texas for a summit meeting on drugs.

Earlier this month an ICO working party failed to come up with any fresh ideas on a future pact. The coffee market has been in free fall since the ICO export quota system collapsed in July 1989.

The Brazilians – seen as the main stumbling block to progress – have yet to make up their minds whether they want an agreement with economic clauses. Brazil, the world's biggest producer, is heading for a coffee harvest this year of nearly 28m to 30m bags.

As New York prices were tumbling on Tuesday towards "a bottomless pit," one New York trader commented: "Eventually it will reach such a level that producers will be forced into action." The London May contract closed yesterday at a new low of $838, down $25 on the day and $50 on the week.

On the London Metal Exchange confusion over the situation in the CIS continued to dominate trading. On Monday some analysts suggested that traders were using this as cover to squeeze the aluminium and nickel markets. The three-month nickel price was $165 up at the close at $8,195 a tonne after touching a six-month high of $8,245 a tonne, while three-month aluminium traded up to a seven-month high of $1,340 a tonne.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+7460	to [illegible]
Copper	+3060	to 308650
Lead	+400	to [illegible]
Nickel	+450	to 19734
Zinc	+12900	to [illegible]
Tin	-335	to [illegible]

Analysts agree that Russian metal exports to the west will fall this year but remain high enough to continue causing headaches for western producers. They disagree, however, on the severity of the fall.

Mr Ted Arnold, analyst at Merrill Lynch, believes Russian exports might fall by a third this year, mainly because of problems caused by new taxes and an eight-week backlog for licences, which has more or less brought exports to a halt. However, Mr Neil Buxton, of Metal Bulletin Research, believes that while exports will not match last year's levels, they will remain "very high by historic standards. There will be a lot of metal for the relatively sluggish western European economies to absorb."

Adding further to the confusion were remarks made in London by Mr Anatoly Filatov, chairman of Norilsk, Russia's main nickel producer. He insisted that delays in nickel shipments have not been caused by bureaucratic delays and export tariffs, but because prices were too low.

Mr Robin Bhar, of Carr Kitkat & Aitken, pointed out that LME nickel stocks rose by 540 tonnes on Tuesday and by a further 450 tonnes yesterday to total 19,734 tonnes, giving the lie to concern over CIS exports. The market was also talking of a further 10,000 to 20,000 tonnes of unregistered Russian nickel already in Europe.

He suggested that investment funds know that the market has been characterised by thin dealing. "It's very easy to get the market moving," said Mr Bhar yesterday, "but in order to sustain it you need the consumers."

Yesterday cash nickel closed at $7,970 a tonne, a fall of $60 on the week, while three-month was $8,030. Cash aluminium closed at $1,295 a tonne, up $7.50, while three-month was $1,319.50.

David Blackwell

APPOINTMENTS

More leisurely life in view

Jonathan Bodlender, chairman of Horwath Consulting, which provides advice on hotels and tourism, is to reduce the work he does for the firm and spend more time on projects of his own. Although Bodlender is only 53 he believes that full-time leisure consultancy, with weekends filled with work and travel, is for younger men and women.

He has retired as a partner of Stoy Hayward, the accountancy firm which owns Horwath. He will continue to be Horwath's non-executive chairman and will also be doing some consulting work outside the firm.

He recently became a special adviser on tourism investment to the World Tourism Organisation.

Bodies politic

■ Mark Gearing, in January promoted to be a partner of Allen & Overy, is to be seconded to the Takeover Panel as a joint secretary for two years starting in April.

As one of four secretaries, two of whom are on the permanent staff, Gearing, 31, will be involved in "all issues" involving the watchdog, but with an emphasis on legal aspects, the Panel says.

Gearing, an Oxford history graduate, has been concentrating on corporate finance and international capital markets work in London and New York since he joined Allen & Overy in 1983.

His firm says such secondments are a valuable broadening process, "and, for the individual, very exciting".

■ David Evans, 46, director of information technology at the Property Services Agency, is to become chief executive of the Department of Transport's Information Technology Services Directorate, one of the agencies being set up under the Next Steps initiative to put government services at arm's length. The directorate's role will be to serve the department's Driver and Vehicle Licensing Agency at Swansea.

■ John Andrewes, a senior partner in Coopers & Lybrand Deloitte, is appointed a member of the Board of Crown Agents for a period of three years.

■ The following have been appointed to the British Overseas Trade Board for a period of three years: Sir Hugh Bidwell, chairman of British Invisibles; Alan Cockshaw, chairman of the BOTB's overseas projects board and chairman of Amec; Iain Dale, chairman of the BOTB's south east Asia trade advisory group; and Brian Willott, chief executive of the Export Credits Guarantee Department.

■ Graham Owens and Keith Eaton have been confirmed as director and deputy director respectively of The STEEL CONSTRUCTION INSTITUTE.

■ Robert Sharpe, md of Bank of Ireland Home Mortgages, and Duncan Young, md of Household Mortgage Corporation, have been elected chairman and deputy chairman respectively of The ASSOCIATION OF MORTGAGE LENDERS.

■ Brian West, director and chief executive of the Association of Independent Radio Companies, has been elected founder-president of the ASSOCIATION OF EUROPEAN RADIOS.

■ Peter Evans and Leonard Campbell have been elected chairman and deputy chairman respectively of The INSTITUTE OF LONDON UNDERWRITERS.

■ Norman Sussman has been appointed chairman of the steering committee of the One in Twelve Appeal, which raises money for research into breast cancer.

'Making things happen' at Harry's

Harry Ramsden, the Yorkshire-based fish and chip shop that claims to be the world's largest, has lured 31-year-old Russell Scott from Whitbread into the newly-created board post of operations director.

Scott, who has one A-level in computer studies, has risen speedily through the retail trade since depressed economic conditions in the late 1970s put him off his initial career choice of engineering.

His training began at McDonald's, where he was soon running the Marble Arch outlet. This stood him in good stead with John Barnes, Harry Ramsden's chairman, who reckons that the American hamburger company's grooming teaches young managers as much as the average classically-trained manager in a British company knows only by the time he is in his 50s.

Other jobs included establishing Beefeater in Germany; acting as new concept director of Pizza Hut; and latterly, integrating Berni Inns into the Whitbread group.

Barnes, a Londoner, who mostly steers away from opening new shops in the south east, with the exception of Heathrow airport, because "customers are too fickle", explains that the recent growth of Harry's outlets domestically, coupled with ambitious international plans, dictate the need for an operations director.

Contrasting the layers of bureaucracy in most large brewers with the style at Harry's – where the chairman seems happy to send his own faxes – Barnes says he can offer an individual the scope "really to make things happen".

Scott joins a well-travelled group whose ambitions have not been dented by difficult trading conditions at home; the USM-listed company intends to go to Hong Kong with a joint venture franchise this summer where it will be relying heavily on the experience of its Yorkshire finance director – who just happens to speak fluent Mandarin.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

MIW Investment Managers Ltd (0659)F

Maldon Unit Trust Managers Ltd (1400)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible] The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]
Centre Point,
[illegible]
Tel: 071 – [illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	[illegible]	36.46	[illegible]	+0.2	2.45
UK Equity Gth Acc	5¼	49.91	50.81	53.99	+0.2	1.92
UK Eq High Inc Inc	5¼	28.84	29.54	31.39	+0.3	6.31
UK Eq High Inc Acc	5¼	32.43	33.21	35.29	+0.3	6.31
UK Equity Gen Acc	5¼	46.07	46.81	49.74	+0.2	3.45
UK Equity Gen Inc	5¼	36.05	36.63	38.92	+0.1	3.45
UK Larger Cos Acc F	7½	306.6	310.5	337.0	+1.5	4.75
UK Larger Cos Inc F	7½	246.9	250.0	271.3	+1.1	4.75
Gilt & Fxd Int Inc	5¼	[illegible]	[illegible]	[illegible]	—	7.20
Euro Larg Cos Acc F	7½	211.7	215.3	233.7	+1.8	2.08
[illegible]	5¼	36.85	37.03	39.35	+0.6	0.83
Far East Acc	5¼	39.28	40.31	42.83	+0.1	0.15
European Acc	5¼	[illegible]	[illegible]	[illegible]	+0.3	1.63
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	299.3	299.3	319.4	+1.2	0.71
(Accum Units) ♥	5	352.3	352.3	375.9	+1.4	0.71
British	5	796.1	809.1	856.0	-0.8	6.06
(Accum Units)	5	1308.0	1329.4	1406.4	-1.3	6.06
European	5	331.8	331.8	352.9	+1.7	1.42
(Accum Units)	5	359.7	359.7	382.1	+1.8	1.42
Japan	5	107.6	107.6	114.5	+1.3	-
(Accum Units)	5	108.5	108.5	115.4	+1.3	-
New Pacific	5	[illegible]	[illegible]	[illegible]	+0.8	1.67
(Accum Units)	5	199.0	199.0	212.0	+0.8	1.67
PEP Feb 20	5	149.1	150.5	159.2	—	3.53
Mngd Equity	5	[illegible]	127.7	[illegible]	+0.5	2.79
Mngd Equity Acc	5	134.0	135.5	143.3	+0.5	2.79
Mngd Cash	0	96.41	96.41	96.41	—	10.13
(Accum Units)	0	[illegible]	[illegible]	[illegible]	—	10.13
Majority Stlg	1	100.42	100.42	101.43	+0.02	9.96
Majority Stlg Acc	1	109.36	109.36	110.46	+0.02	9.96
[illegible] Intl Inv Mngrs Ltd (1200)F						
[illegible], Hutton, Brentwood, Essex						
Enquiries 0277 [illegible] Dealing 0277 [illegible]						
International Jan 31	0	50.77	50.77xd	51.24	—	3.20
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	600.9	600.9xd	642.7	+1.6	3.11
North America	6	87.86	87.86xd	93.97	+0.64	0.42
Far East	6	89.02	89.02xd	95.20	+0.20	1.16
W'wide Bond	6	48.73	48.73	51.84	+0.14	6.15
European	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity Income	6	65.43	65.43	69.98	+0.17	5.84
Portfolio	6	58.68	58.68	62.76	+0.34	2.45
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	—	2.23
Sun Life of Canada Unit Mgrs Ltd (1000)H						

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jan 31	196.75	200.75	- -	7.93
Equity Jan 31	888.05	895.20	—	3.77
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Feb 20	104.19xd		+0.2	10.35
(Accum Units)	630.99		+0.8	10.35
NAACIF Feb 18	40.00xd		—	9.63
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Feb 18	127.7	137.2	—	1.48
UK Small Co † Feb 18	515.9	565.3	—	3.54
Fixed Interest † Feb 18	111.3	117.1	—	8.55
US Small Co Feb 18	185.2	198.1	—	0.00
Managed Feb 18	108.6	116.3	—	3.40
Intl Bond Feb 18	121.3	128.0	—	10.02
Japan Feb 18	68.06	72.53	—	4.05
European Feb 18	90.19	96.75	—	1.76
[illegible] Feb 18	126.1	135.7	—	1.18
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Feb 19	55.66	57.89xd	—	1.93
Euro Exmt Feb 19	52.93	55.58xd	—	2.46
Fixed Int Ex Feb 19	47.85	49.03	—	8.88
Japan Exmt Feb 19	42.27	43.97	—	0.69
Managed Ex Feb 20	44.43	46.20	-0.23	4.32
SE Asia Exmt Feb 19	77.48	81.36	—	2.65
Sm Cos Exmt Feb 19	35.94	37.74	—	3.41
UK Eqty Ex Feb 19	43.62	45.81xd	—	3.49
Phillips & Drew Fund Management Ltd				
Small Co's Feb 5	685.40	729.40xd	—	4.35
Do Accum	795.07	846.12	—	4.35
[illegible] Exmt Feb 20	186.89	190.86	—	1.61
UK [illegible] Feb 5	[illegible]	[illegible]	—	4.32
Do Accum	[illegible]	[illegible]	—	4.32
[illegible] Feb 17	93.93	96.83	—	8.40
World ex UK Index Feb 18	784.51	794.07xd	—	1.92
Do Accum	784.51	794.07xd	—	1.92
Japan Index Feb 18	532.92	541.23	—	0.71
Do Accum	534.80	543.14	—	0.71
USA Index Feb 18	1052.09	1059.21xd	—	2.93
Do Accum	1096.36	1103.78	—	2.93
Europe ex UK Index Feb 18	903.87	919.04xd	—	2.73
Do Accum	940.00	955.77xd	—	2.73
Pacific ex Jap Index Feb 18	1018.2	1045.49xd	—	3.58
Do Accum	1083.56	1112.61	—	3.58
Mangd Exempt Feb 20	107.37	109.31	—	3.61
[illegible] Feb 20	139.49	142.13	—	2.94

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (2:00 pm)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

CANADA (2:00 pm)

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs

INDICES

NEW YORK

DOW JONES	Feb 20	Feb 19	Feb 18	Feb 14	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	[illegible]	[illegible]	[illegible]	3245.97	3280.64 (20/2)	3172.41 (2/1)	3280.64 (20/2/92)	41.22 (2/7/32)
Home Bonds	98.92	98.90	98.84	99.00	99.81 (6/2)	98.77 (3/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1467.68	1424.09	1420.03	1406.20	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.94	205.50	206.00	207.81	225.59 (3/1)	205.50 (19/2)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3304.34 (3259.17) Low 3224.28 (3199.02)

STANDARD AND POOR'S

	Feb 20	Feb 19	Feb 18	Feb 14	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	413.90	408.26	407.38	412.48	420.77 (15/1)	407.38 (18/2)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	492.45	485.15	483.91	491.00	499.27 (15/1)	483.91 (18/2)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.30	34.06	33.93	34.09	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.60	225.85	225.65	228.16	231.85 (15/1)	225.65 (18/2)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	412.86	407.46	409.20	414.27	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	632.23	622.41	626.41	636.43	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 14	Feb 7	Jan 31	year ago (approx.)
Dow Industrial Div. Yield	2.82	2.86	2.87	3.44

	Feb 12	Feb 5	Jan 29	year ago (approx.)
S & P Industrial div. yield	2.60	2.54	2.56	2.91
S & P Indl. P/E ratio	25.03	25.61	25.43	17.89

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
[illegible]	5,183,900	29⅞	- ⅛
Chrysler	4,549,300	17⅛	+ 1
RJR Nabisco	4,442,200	10⅛	- ⅛
Hewlett Packard	3,876,400	76½	+ 3
Ford Motor	3,224,100	38⅝	+ ⅜
Gen Motors	3,180,400	39	+ ⅜
Oak Ind	3,151,100	2⅜	+ ⅛
[illegible]	2,986,600	32⅛	+ ⅛
Gen Electric	2,774,900	80⅛	+ 2
Unysis Corp	2,660,300	10⅜	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 20	Feb 19	Feb 18
New York SE	270.560	[illegible]	[illegible]
Amex	21.285	15.766	20.001
NASDAQ	247.088	207.782	216.700
NYSE			
Issues Traded	2,221	2,213	2,229
Rises	1,161	758	702
Falls	572	952	1,076
Unchanged	488	503	451
New Highs	154	80	119
New Lows	22	29	33

CANADA

TORONTO	Feb 20	Feb 19	Feb 18	Feb 17	1992 HIGH	1992 LOW
Metals & Minerals	3120.52	3134.95	3138.01	3147.14	3238.87 (16/1)	2935.22 (2/1)
Composite	3537.00	3543.30	3551.20	3570.80	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1851.90	1855.78	1855.78	1871.68	1937.59 (16/1)	1851.90 (20/2)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Feb 21	Feb 20	Feb 19	Feb 18	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1621.5	1623.0	1622.3	1626.7	1675.60 (15/1)	1590.90 (7/2)
All Mining (1/1/80)	709.5	708.9	707.7	710.2	710.20 (18/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	457.10	451.76	449.57	452.98	457.10 (21/2)	372.24 (2/1)
Traded Index (2/1/91)	1093.69	1079.58	1075.85	1083.85	1094.29 (17/2)	981.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1182.54	1173.99	1164.68	1170.08	1185.76 (20/2)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	352.53	351.09	350.79	351.04	365.29 (15/1)	350.79 (19/2)
FINLAND						
HEX General (28/12/90)	928.0	917.7	909.0	909.0	928.00 (21/2)	779.80 (2/1)
FRANCE						
SBF General (31/12/90)	518.51	512.33	509.14	507.8	518.51 (21/2)	475.53 (2/1)
CAC 40 (31/12/87)	1962.37	1951.22	1915.41	1912.21	1962.37 (21/2)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	696.66	694.05	689.48	691.1	696.66 (21/2)	643.26 (8/1)
Commerzbank (1/12/53)	1973.1	1964.7	1951.3	1956.5	1973.10 (21/2)	1833.80 (9/1)
DAX (30/12/87)	1717.63	1703.18	1687.79	1694.99	1717.63 (21/2)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4736.47	4716.80	4725.70	4747.1	4772.32 (14/2)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1435.09	1434.98	1435.79	1437.82	1464.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	536.57	535.08	531.27	526.09	551.59 (6/2)	507.43 (2/1)
MIB General (2/1/87)	1059.0	1051.0	1049.0	1043.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	21291.01	20771.92	20618.30	20872.05	23801.18 (6/1)	20618.30 (19/2)
Tokyo SE (Topix) (4/1/68)	1551.66	1523.41	1520.62	1539.99	1763.43 (6/1)	1520.62 (19/2)
2nd Section (4/1/68)	2357.49	2350.36	2362.10	2373.79	2459.85 (6/1)	2283.71 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	615.73	619.06	608.72	607.67	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS TU Rtn.Gen.(End 1983)	291.6	290.4	289.1	290.2	291.60 (21/2)	274.00 (8/1)
CBS All Shr (End 1983)	204.8	203.9	203.0	203.8	204.80 (21/2)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	674.47	678.55	672.91	687.19	740.85 (17/1)	672.91 (19/2)
PHILIPPINES						
Manila Comp (2/1/85)	1156.08	1139.36	1141.01	1176.57	1398.90 (17/1)	1139.36 (20/2)
SINGAPORE						
SES All-Singapore (2/4/75)	406.10	404.64	404.35	403.26	416.99 (21/1)	401.19 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1214.0‡	1237.0	1232.0	1255.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4326.0‡	4325.0	4328.0	4349.0	4535.05 (15/1)	4109.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	632.91	632.66	648.13	628.22	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	258.95	261.04	260.23	260.57	261.06 (20/2)	238.95 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	931.6	929.4	933.1	939.9	980.20 (28/1)	923.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	796.4	794.6	788.2	792.1	796.40 (21/2)	748.50 (8/1)
SBC General (1/4/87)	640.2	638.7	634.4	636.7	640.20 (21/2)	601.30 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4950.37	4985.32	4859.42	4766.91	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangkok SET (30/4/75)	797.46	799.11	806.51	(c)	806.51 (17/2)	711.86 (3/1)
WORLD						
M.S. Capital Intl (1/1/70) (5)	512.6*	509.6	506.8	511.5	542.10 (7/1)	505.90 (19/2)
Euro Top-100 (26/6/90)	927.47	924.42	918.96	922.16	927.47 (21/2)	870.31 (2/1)

**Saturday February 15: Taiwan Weighted Price: 4692.53. Korea Comp Ex. 647.71.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Holding pattern for Dow after opening gains

Wall Street

AFTER Thursday's 50-point gain, US stock markets settled down yesterday morning into a holding pattern, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was down 8.06 at 3,272.58, the index having spent the morning only a few points either side of the previous night's record close. The more broadly based Standard & Poor's 500 was also slightly lower at midsession, down 1.95 at 411.95 at 1pm, while the Nasdaq composite of over-the-counter stocks eased 0.50 to 631.73. Turnover on the NYSE was 152m shares by 1pm.

Although prices opened the session firmer, there was little conviction behind the buying, and investors appeared to be staying on the sidelines, wary of how the market would react in the afternoon to the expiration of options contracts on derivatives markets.

The underlying tone in the market, however, was firm, and even further declines in bond prices – the benchmark 30-year bond dropped a half-point, pushing the yield up to 7.95 per cent – failed to unsettle stocks, which remained underpinned by hopes of a recovery in economic growth and corporate earnings.

Among individual stocks, Time Warner rose $3¼ to $101 after a delayed opening due to an order imbalance. The rush of demand for the stock came as investors welcomed the surprise news late on Thursday that Mr Nick Nicholas, the designated successor to Time Warner chairman Mr Steven Ross, had resigned because of differences with the management of the company. His post as president and co-chief executive was taken by Mr Gerald Levin. Mr Nicholas' departure ends what appears to have been a fierce power struggle at the top of the big entertainment group.

Drug stocks were mostly higher, with Bristol-Myers Squibb up $1⅛ at $79⅛, Schering Plough $1 higher at $57½ and Pfizer $1⅛ firmer at $72¾. The exception was Merck, which has outperformed the sector recently, but which fell $⅝ to $146⅝.

Motor stocks, which have been in favour with investors in recent days following reports of higher car sales and in anticipation that earnings would improve, fell back yesterday. General Motors fell $1¼ to $37⅞, Ford gave up $1⅛ at $37¼, and Chrysler slipped $⅜ to $17⅞.

Among over-the-counter stocks, fourth quarter earning continued to drive sentiment. Healthdyne climbed $2½ to $26¾ after posting net income of 26 cents a share, compared to 5 cents a share a year ago. Zeos International fell $3¾ to $17⅞ in heavy trading on fourth quarter earnings that were well up on a year ago but which proved disappointing to analysts.

Supercuts firmed $2¼ to $22¼ after PaineWebber, the securities house, raised its rating on the stock from "attractive" to "buy".

Canada

TORONTO stocks remained flat at midday ahead of the federal budget on Tuesday. The TSE 300 rose 3.2 to 3,540.3. Declines led advances by 213 to 178 on volume of 15m shares valued at C$147.7m.

Breakwater Resources rose 3 cents to 45 cents, Nova rose C$⅛ to C$8⅝ and Horsham eased C$⅛ to C$10⅛.

Moore Corp rose C$1⅛ to C$24. Loewen Ondaatje and Richardson Greenshields switched to a "buy" from a "hold" and Bunting Warburg reiterated its "buy" on Thursday after Moore reported its fourth quarter earnings.

SOUTH AFRICA

JOHANNESBURG ended weaker as the gold price lost ground. An erratic financial rand also took its toll of the market. The overall index shed 15 to 3,526 and the all-gold index fell 23 to 1,214. Industrials added 1 at 4,326.

Investors offer tepid response to Milan's new image

Haig Simonian discovers that the long-awaited reforms have not delivered the expected rise in turnover

This year should be the watershed for Italian equities, thanks to new laws bringing unprecedented transparency to the market and boosting liquidity by curtailing off-floor trading.

The stalking horse for the changes is the new Società di Intermediazione Mobiliare (Sim), Italy's novel form of broking, underwriting and fund management hybrid. The Sims are set to revolutionise the bourse, thanks to their high capital requirements and the much tougher reporting rules.

Although many of Italy's small, privately-owned stockbrokers are still in business, most have set up Sims, either independently or in conjunction with more powerful banking partners. Such alliances have helped many overcome what looks set to be a fierce battle against a background of high costs following the introduction of screen-based trading at the same time as commissions are whittled down by increased competition.

However, early results from the Sims have been mixed. Although the market's image has improved, providing a temporary boost to confidence and volume at the start of the year, turnover has not surged as many brokers hoped. Daily trading has hovered around L100bn ($83m). The Comit index closed at 536.57 yesterday, up 3.49 on the day, and up 6.3 per cent since the end of 1991.

That has not lifted the mood among many brokers, who complain of the much higher cost base they now face. According to a study this week by Banca Commerciale Italiana, a medium-sized Sim would need a daily turnover of between L6bn and L13bn to make an acceptable return on its capital.

Some dealers blame the market's relatively low turnover on teething troubles with software and the fact that only a handful of Sims were ready when the new law came into force this year. However, most acknowledge that the explanation for the relatively small increase in turnover this year is based more on fundamentals than technical hitches.

The prime cause for investors' tepid response to the Sims is political uncertainty ahead of April's general elections. The widespread expectation of a weak government and deeper political divisions has dented hopes of getting to grips with Italy's spiralling budget deficit.

Figures confirming that the recession is growing and pointing to unfavourable 1991 earnings have exacerbated the gloomy short-term expectations. Last month's preliminary results from Fiat suggested that 1991 net profits would slump to around L1,100bn; Olivetti stands to lose at least L290bn, and probably more, depending on the allocation of restructuring.

Special situations have at least added a touch of spice to the market. Legislation approved last month introducing greater protection for minority shareholders' rights in takeover bids has focused speculative interest on some stocks which might be affected by the new rules.

Cementir, the cement group controlled by the IRI state holding company, topped the list. Its stock has been driven in recent weeks by investors hoping that IRI's plan to sell its 51.78 per cent holding would oblige the buyer to launch a full bid.

As it happened, this week's L480bn sale of the stake to the Rome-based Caltagirone building group did not trigger the bonanza speculators had been banking on. The deal was concluded just before the law came into effect. Hence minority shareholders in Cementir had no chance to share in the reward, despite the fact that Caltagirone paid a 100 per cent premium to the current market price. Both stocks fell heavily following the announcement.

Despite the disappointment, the new takeover law, whose complexities are being mastered by the lawyers, is still fuelling speculation in other stocks, particularly companies where the stock market float is very thin. Standa, the stores group which is majority owned by Mr Silvio Berlusconi's Fininvest concern, this week became the latest focus of such attention.

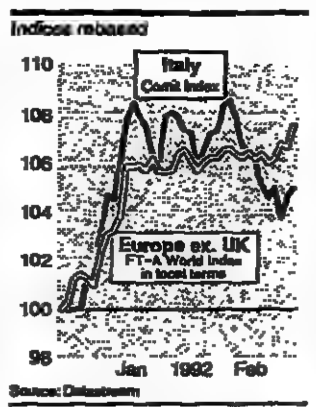
The market expects further privatisation deals following the government's approval for a law to boost the sale of state-owned assets this year. And the prospect of further bourse reforms, including the arrival of cash settlement and futures and options, could lift the market further, as could the arrival of big institutional money should Italy authorise the creation of pension funds.

Once the elections are out of the way, investors may turn their attention again to market reforms and the stream of new flotations probably in the pipeline for this year.

The initial public offering for Istituto San Paolo di Torino, the big Turin-based banking group, will feature prominently on most lists. Pencilled in for early April, the San Paolo deal should raise around L1,500bn and get the flotation season off to a strong start in view of the bank's high reputation. San Paolo will be one of Italy's first bid public-sector banks to use new banking liberalisation to float part of its equity, and the deal should also be helped by the relative scarcity of such paper.

Further down the road are possible initial public offerings for a number of other public-sector companies. Agip and Snam, two subsidiaries of the Eni energy and chemicals group, and Ilva, IRI's steel-making arm, are all tipped for a 1992 stock market debut.

With most of the legal framework for a well-functioning market now in place, Italy has now overcome most of the structural barriers to a more liquid equity market and wider share ownership. With a new flotation wave in sight, political factors are the single most important factor in whether the bourse will realise it new potential.



Source: Datastream

EUROPE

Paris rally survives profit-taking after bullish week

THE FASHION for cyclicals and the trend on Wall Street continued to support most senior bourses yesterday, *writes Our Markets Staff.*

PARIS closed a bullish week with some light profit-taking in some of the cyclical stocks which have led the rally, but strategists said the market was still heading higher.

The CAC 40 index rose 11.15 to 1,962.37, its best close since July 27, 1990, and up 5.2 per cent on the week. Turnover was estimated at FFr4.3bn, very high for a Friday, but dealers said that it also reflected position-squaring at the end of the February trading account yesterday.

Among the larger stocks, Saint-Gobain fell FFr5 to FFr533 on profit-taking, while Euro Disney soared FFr4.10 or 2.8 per cent to FFr153 with a heavy 2.1m shares traded on news that it would replace Perrier in the CAC 40 index from March 19. Perrier and Exor were both suspended yesterday amid speculation that BSN might launch a counter bid for Exor.

One of the day's losers was Total which fell FFr7 to FFr258 on reports of heavy US selling.

FRANKFURT hit an 18-month closing high ahead of the expiry of DTB options contracts. The DAX index closed 14.45 higher at 1,717.63 its highest since August 16, 1990, and up 2.5 per cent on the week.

Volume rose from DM7.4bn to DM8.6bn but some traders put this down to options-associated business. The more broadly-based FAZ index, less subject to DTB influences, closed just 1.5 per cent higher on the week after a 2.61 rise to 696.66 yesterday, and some of the big blue chips were easing back in London afternoon trading.

BMW, Daimler and Volkswagen rose DM4.50 to DM556, DM8 to DM782 and DM4.50 to DM451.30 on the session, but they were all quoted around DM2 lower in London after hours. In the morning, German January car production was reported down 7 per cent compared with a year earlier.

The argument remained for export profits, and the strength of the dollar. This also applied to engineers and steel/engineering combines, where MAN put on DM5.50 to DM370.50, Mannesmann DM5.60 to DM281.50.

AMSTERDAM closed mostly firmer but off its highs in lively trading dominated by yesterday's expiry of February options and futures series. The CBS Tendency index closed up 0.7 at 136.1, up 3.5 per cent on the week, in extremely heavy turnover of Fl 1.07bn.

ZURICH featured cyclicals again as the SPI index rose 3.1 to 1,133.7, 1.4 per cent up on the week. Brown Boveri and Holderbank bearers rose SFr50 to SFr3,610, and SFr100 to SFr4,820 respectively.

MADRID faltered on the Telefónica pension fund furore. The telecommunications stock, which makes up nearly 10 per cent of the general index, fell Pta85 to PTa1,095 and the index itself by 2.09 to 258.95, hardly changed on the week.

BRUSSELS ended higher in moderate trading. The Bel-20 index rose 8.55 to 1,182.54, up 2.1 per cent on the week. SGB rose BFr35 or 1.6 per cent to BFr2,215 on higher-than-average volume of 20,100 shares.

STOCKHOLM combined the fashion for cyclicals with a 4 per cent drop in insurers, and the Affärsvärlden General index emerged only 2.2 higher at 931.6 for a fall of 0.8 per cent on the week.

Dealers said the insurers' decline was tied to sharply higher loan losses at the Gota banking group, in which the insurer, Trygg Hansa, holds a 40 per cent stake. Trygg Hansa B fell SKr3 to SKr88.

COPENHAGEN rose on strength in banks and insurers, *writes Hilary Barnes.* Danske Bank closed DKr5 higher at DKr335, up DKr18 since Monday, after reversing recent Nordic banking trends with a DKr1.33bn net profit for 1991 against a DKr1.17bn loss in 1990.

The Unidanmark banking group, after a loss earlier in the week, recovered to close DKr8 higher at DKr218. Turnover was a moderate DKr231m, and the CSE index rose 1.44 to 352.53, almost unchanged on the week, with the bank index up by 3.38 to 227.39 and insurance by 6.48 to 723.43.

OSLO closed mostly lower, with Norsk Hydro losing NKr3.5 to NKr136.5 after reporting a record net loss for 1991 on Thursday. The all-share index fell 1.83 to 414.39 in low turnover of NKr145.6m.

ISTANBUL dropped in quiet trading to its second consecutive 1992 low. The 75-share index closed at 3,985.51, down 8.05, for a loss of 9.9 per cent on the week.

VIENNA's ATX index rose 14.11 to 1,093.69, barely missing a new all-year high, for a rise of 2.5 per cent on the week.

FT-SE Eurotrack 100 - Feb 21

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1153.23	1153.02	1153.45	1155.73	1156.46	1157.29	1154.91	1154.51

Day's High 1157.86 Day's Low 1152.32

Feb 20	Feb 19	Feb 18	Feb 17	Feb 14
1149.62	1140.09	1143.83	1135.65	1130.78

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei recovers to clear 21,000 again

Tokyo

CONTINUED HOPES of an early cut in the discount rate to stimulate the economy, and an overnight rally on Wall Street encouraged dealers to buy equities, and the Nikkei average recovered to the 21,000 level for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The average rose 519.89 to the day's high of 21,291.81, a gain of 2 per cent on the week. It opened at the day's low of 20,849.98, but later rose on arbitrage-related buying and bargain-hunting.

Volume remained unchanged at 200m shares. Gainers led losers by 807 to 188 with 133 unchanged. The Topix index of all first section stocks advanced 28.25 to 1,551.66 and in London, the ISE/Nikkei 50 index rose 0.82 to 1,188.88.

Traders noted a lack of sellers, such as investment trusts which have been selling heavily recently to meet redemptions.

Market participants, heartened by the record low money supply growth announced on Thursday, found additional support in the central bank's confirmation of its commitment towards a stronger yen. Short-term interest rates fell on expectations of an easing in credit policy.

Hopes that the government will announce fiscal measures to activate the slowing economy lifted stocks likely to benefit from higher public spending. Budget deliberations resumed this week after a two-week suspension due to a dispute between the ruling party and opposition over a bribery scandal. Housing stocks firmed, with Sumitomo Forestry adding Y40 to Y1,730, and Daiwa House Industry advancing Y20 to Y1,840.

Interest rate-sensitive large capital issues were also higher. Nippon Steel, the most active issue of the day, rose Y5 to Y352 and Mitsubishi Heavy Industries advanced Y6 to Y604.

Bargain-hunting lifted high-technology issues which have been sold heavily following downward revisions in earnings forecasts. Toshiba rose Y14 to Y610 and TDK added Y100 to Y4,140.

The Tokyo Stock Exchange said yesterday that individual investors turned net buyers of stocks last week for the first time in 44 weeks. Individuals bought a net Y20.4bn in Tokyo, Osaka and Nagoya.

Foreign investors remained net buyers, while institutions, including insurers, banks and investment trusts stayed net sellers. Corporate selling shrank from Y24.6bn to Y2.6bn.

In Osaka, the OSE average rose 218.19 to 22,679.16 in volume of 65.4m shares. Nintendo, the video game maker, added Y200 to Y10,900 on bargain-hunting.

Roundup

WALL STREET's overnight gains had a relative muted effect on the region.

HONG KONG reversed a mid-week decline with the Hang Seng index 20.47 higher at 4,736.47, still 0.8 per cent lower on the week, as turnover rose from HK$1.87bn to HK$2.13bn.

The index opened strongly on the back of Wall Street with a rise of more than 40 points, but profit-taking soon took over the initiative.

NEW ZEALAND moved in similar fashion, the NZSE 40 index closing 9.97 higher at 1,499.69 after a 19-point rise in the early morning. JAKARTA halted a week-long fall in the official index, up 3.50 to 279.89 in half-day trading.

MANILA reflected the gains of Philippine Long Distance Telephone (PLDT) in New York, the composite index ending 16.72 higher at 1,156.08, down 3.8 per cent on the week.

PLDT rose 35 pesos to 870.

AUSTRALIA, however, got no Wall Street kick from News Corp, which dropped 58 cents to A$17.60 after a large gain last week. The market ended lower on mixed economic data, the All Ordinaries index easing 1.5 to 1,621.5, 0.2 per cent higher on the week.

TAIWAN's weighted index fell 44.95 to 4950.37 following a rise of 155.90 on Thursday. It fell 0.5 per cent on the week.

SINGAPORE bounced back from profit-taking, the Straits Times Industrial index closing 5.78 better at 1,519.05.

SEOUL's composite index was up 0.25 to 682.91, 3.9 per cent lower on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 20 1992								WEDNESDAY FEBRUARY 19 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	146.02	+0.1	123.57	118.66	125.04	128.44	+0.1	4.30	145.94	123.53	118.40	124.97	128.27	160.31	112.74	129.98
Austria (20)	181.69	+0.3	153.88	147.64	155.56	156.16	+0.9	1.85	181.18	153.37	147.00	155.14	154.79	222.37	153.86	217.66
Belgium (46)	137.09	−0.7	116.10	111.39	117.38	115.11	+0.1	5.11	137.99	116.80	111.94	118.15	115.02	151.20	118.04	149.48
Canada (115)	134.36	−0.1	113.80	109.17	115.04	115.24	−0.3	3.19	134.43	113.79	109.06	115.10	115.64	144.28	126.49	138.34
Denmark (36)	248.00	−0.1	210.04	201.53	212.36	215.79	+0.2	1.66	248.29	210.17	201.44	212.60	215.45	273.94	217.74	289.84
Finland (15)	86.30	−0.4	73.10	70.13	73.90	81.93	+0.2	2.42	86.61	73.32	70.27	74.17	81.73	125.15	73.32	114.95
France (108)	152.78	+1.7	129.40	124.14	130.81	134.21	+1.7	3.31	150.22	127.15	121.87	128.62	132.01	154.70	119.11	147.84
Germany (65)	117.36	+0.7	99.39	95.37	100.49	100.49	+0.7	2.30	116.52	98.63	94.55	99.77	99.77	125.35	94.15	124.12
Hong Kong (55)	195.69	−0.2	165.74	159.01	167.57	195.02	−0.2	3.89	196.06	165.97	159.06	167.90	195.35	198.44	119.82	141.65
Ireland (18)	163.03	−0.2	138.08	132.48	139.60	141.67	−0.1	3.61	163.40	138.32	132.57	139.92	141.86	182.46	132.88	166.61
Italy (77)	74.66	+0.6	63.23	60.66	63.93	68.87	+0.7	3.36	74.25	62.85	60.24	63.57	68.43	88.23	64.76	86.73
Japan (473)	116.33	+0.1	98.52	94.53	99.62	94.53	+0.2	0.90	116.27	98.42	94.33	99.57	94.33	146.97	116.27	144.12
Malaysia (68)	250.18	+0.3	211.89	203.29	214.22	249.36	+0.1	2.67	249.36	211.08	202.30	213.51	249.07	250.18	189.18	230.14
Mexico (18)	1669.03	−0.1	1413.59	1356.23	1429.14	5584.86	−0.1	0.99	1670.61	1414.12	1355.40	1430.49	5590.17	1674.31	594.45	599.98
Netherland (31)	149.69	+0.4	126.78	121.64	128.18	126.60	+0.4	4.34	149.05	126.17	120.93	127.63	126.06	158.48	125.70	142.49
New Zealand (14)	45.69	+1.0	38.69	37.13	39.12	44.75	+0.9	6.14	45.24	38.29	36.70	38.74	44.34	54.64	41.18	47.36
Norway (24)	164.51	+0.1	139.33	133.68	140.87	144.53	+0.5	1.65	164.33	139.10	133.33	140.72	143.81	223.24	157.08	209.11
Singapore (38)	220.41	+0.2	186.68	179.10	188.73	166.83	+0.1	2.09	220.05	186.27	178.53	188.42	166.65	229.43	151.63	189.72
South Africa (61)	221.47	−4.7	187.57	179.96	189.63	178.31	+0.0	2.80	232.37	196.69	188.52	198.97	178.28	271.99	175.00	193.90
Spain (52)	156.29	+0.4	132.37	127.01	133.83	121.96	+0.4	4.54	155.60	131.71	126.24	133.23	121.53	171.12	131.51	165.52
Sweden (25)	173.09	−0.1	146.60	140.65	148.21	153.04	−0.1	2.94	173.28	146.68	140.59	148.38	153.21	204.12	146.60	186.68
Switzerland (59)	98.48	+0.8	83.41	80.03	84.34	90.97	+0.9	2.20	97.71	82.71	79.28	83.68	90.20	104.22	82.17	99.44
United Kingdom (233)	177.66	+0.2	150.49	144.37	152.13	150.49	+0.3	4.94	177.28	150.06	143.82	151.79	150.06	187.44	156.27	181.75
USA (523)	168.81	+1.4	142.97	137.18	144.55	168.81	+1.4	2.90	166.56	140.99	135.14	142.63	166.56	171.68	125.95	147.82
Europe (809)	144.50	+0.5	122.39	117.42	123.74	123.79	+0.6	3.90	143.74	121.67	116.62	123.08	123.07	151.52	125.50	149.02
Nordic (100)	173.18	−0.1	146.67	140.72	148.29	146.64	+0.1	2.18	173.34	146.73	140.64	148.43	146.51	200.81	155.55	191.75
Pacific Basin (717)	120.01	+0.1	101.64	97.52	102.76	98.56	+0.2	1.25	119.95	101.53	97.32	102.71	98.38	145.92	117.86	149.13
Euro—Pacific (1526)	130.07	+0.3	110.16	105.69	111.37	109.27	+0.4	2.42	129.73	109.81	105.24	111.09	108.87	147.86	121.29	145.90
North America (638)	166.63	+1.3	141.13	135.41	142.70	165.17	+1.3	2.91	164.52	139.26	133.49	140.90	163.10	169.69	125.91	147.14
Europe Ex. UK (576)	124.28	+0.8	105.26	101.01	106.44	108.21	+0.8	3.15	123.35	104.41	100.10	105.64	107.34	129.80	103.58	126.86
Pacific Ex. Japan (244)	156.39	+0.0	132.46	127.10	133.93	139.81	+0.1	3.82	156.32	132.32	126.84	133.86	139.74	156.39	111.40	130.71
World Ex. US (1720)	132.20	+0.1	111.97	107.43	113.21	111.52	+0.3	2.44	132.01	111.74	107.11	113.04	111.15	148.16	122.32	146.38
World Ex. UK (2010)	140.31	+0.7	118.89	114.02	120.15	127.00	+0.8	2.35	139.38	117.98	113.09	119.36	126.02	150.58	120.06	142.21
World Ex. So. Af. (2182)	143.07	+0.7	121.18	116.27	122.52	128.78	+0.7	2.62	142.10	120.28	115.30	121.68	127.83	153.05	122.82	145.43
World Ex. Japan (1770)	159.27	+0.8	134.90	129.43	136.40	149.10	+0.9	3.28	157.94	133.69	128.16	135.26	147.72	161.90	126.69	147.99
The World Index (2243)	143.56	+0.8	121.59	116.66	122.93	129.22	+0.7	2.62	142.67	120.77	115.76	122.17	128.29	153.70	123.28	145.72

Amendments to indices for 19/2/92 applied to Canada, related regional indices and the World Index.
Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS | **BRITISH FUNDS - Cont.** | **BRITISH FUNDS - Cont.**

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1991: 134.1 and for January 1992: 135.6.

OTHER FIXED INTEREST

[illegible]

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Mkt Cap£m	Yld Gr's
Abbott Labs		35 5/8 xd	—	36 5/8	20 7/8	15,150	1.9
♥Allegheny & W		329p	+14	385p	218p	171.8	5.1
[illegible]		1661pxd	+77	1661p	667p	1,109	0.5
Amer Cyanamid		35 1/4	+1/4	42 1/8	25 3/8	3,287	2.4
Amer Express		12 1/4 xd	+3/32	17 7/8	9 1/2	5,782	4.6
Amer T & T		21 5/8 xd	+1/16	24 1/2	15 3/4	28,248	3.4
Ameritech		35 1/8	—1/8	38 7/8	32 1/2	15,433	5.4
BankAmerica		23 7/16 xd	+3/16	26	12	5,866	3.2
Bankers NY		35 7/8 xd	+1/4	38	20	2,948	7.6
Bell Atlantic		25 1/4 xd	—1/8	30 1/2	24 1/4	9,939	5.6
BellSouth		27 1/4	+3/8	31 1/4	25	13,217	5.7
[illegible]		[illegible]	—1/16	11 1/4	[illegible]	[illegible]	—
Bowater		1475p	+77	1533p	1042p	329.5	4.6
CPC		45 5/8 xd	—	54	37	4,448	2.7
California Engy		495p	+4	530p	420p	128.5	—
Campbell Soup	h	22	—	25	14 1/8	6,639	1.8
Chase Manhattan		14 7/16 xd	—	14	5	1,929	4.8
Chrysler		10 1/8 xd	+1/2	10 1/8	5 3/8	2,959	3.3
Citicorp		8 3/4 xd	+1/8	10 3/8	4 5/8	3,349	—
Colgate-Palm		26 7/16 xd	+1/16	27 5/8	21	3,844	2.3
Cont'l Bank		900p	+47	929p	438p	911.5	5.0
Dana		29 5/8 xd	—	27 5/8	13 5/8	847.8	4.4
Data General		655p	+35	1262p	203p	191.8	
Dial		28 3/8 xd	+1/16	28 3/8	12 7/8	1,126	2.8
Dun & Brad		32	+1/8	32	20 3/4	5,710	3.6
Eaton		48 1/8	+1/2	40 3/4	24 1/4	1,387	3.0
Echlin		9xd	—1/16	9	5 1/2	592.6	4.4
FPL		19 7/16 xd	—1/16	20 1/8	14	3,316	6.9
Fluor		25 1/8 xd	+1/8	30	17	2,054	0.9
Ford Motor		22xd	+1/16	22 1/4	13	10,474	2.8
Gen Elect		45 7/8 xd	+1/16	46	28	38,754	2.5
♥General Host		494p	—8	566p	270p	—	4.1
Gillette		27 3/8 xd	—1/8	40 3/4	20 7/8	6,048	1.3
Hasbro		21 1/4	—1/8	24	7	1,216	0.5
Honeywell		42xd	+1/8	42	21	2,929	2.2
Houston Inds		23 1/4	—	24	17	3,661	7.0
IBM		51 3/4 xd	—1/16	72	45	29,322	5.3
Ingersoll-Rand		36 xd	+1/16	36	18	1,906	2.0
Lockheed		25 7/8 xd	—	28 1/8	16	1,638	4.4
Lowe's		2476p	+29	2476p	1245p	982.3	1.3
Merrill Lynch		32 5/8 xd	—1/8	39	10	3,349	1.7
Morgan (JP)		34 xd	+1/16	38 1/4	21	6,584	3.6
Morris (Philip)		42 xd	+1/16	44 5/8	25	38,405	2.8
NYNEX		41 3/4	—1/8	48 3/4	39	8,468	6.1
♥Pac Agric		28p	—	88p	15p	—	—
Pall		17 5/8	+1/8	17	10	1,540	1.1
Pennzoil		28 3/4 xd	—1/8	48 1/8	28 1/8	1,162	5.9
Quaker Oats		35	—1/16	40	24 7/8	2,824	2.6
Rockwell		16 xd	—	17	12 1/2	3,591	3.4
Rep NY		24 1/8	—	27	16	1,285	2.3
Sears, Roebuck		24 7/8 xd	—1/8	25	12	8,539	4.5
[illegible]		33 7/8 xd	+1/8	35 7/8	25 5/8	10,158	4.7
Sun Co		16 xd	—1/8	20 1/4	14 1/8	1,690	6.5
Tenneco		22 3/8 xd	—	27 1/8	14	2,748	4.1
Texaco		32 xd	—1/16	40 1/2	29	8,351	5.6
Time Warner		66 1/4 xd	—1/8	64 1/2	37	6,147	1.0
♥Unilab		387p	—	387p	250p	545.3	—
Utd Tech		29 5/8 xd	+1	31 1/2	22 3/8	3,609	3.4
♥UtilTech		101p	—	101p	42p	—	
US West		19 3/4	—1/8	23	18 1/4	4,068	5.9
Varity		662p	—	1410p	578p	288.4	—
Waste Manage		25xd	—1/8	26	16 5/8	11,819	1.0
Whirlpool		2700p	+112	2700p	1055p	1,877	2.3
♥Woolworth		16 5/8	—1/8	20	12 3/4	2,169	3.7

CANADIANS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Mkt Cap£m	Yld Gr's
♥Abbot Energy		[illegible]	—	11p	1 1/4 p	—	—
Amer Barrick		[illegible]	—6	1642p	983p	2,166	0.3
Bk Montreal		20 3/4	+1/8	20 3/4	13	2,480	5.5
Bk Nova Scot		[illegible]	+7	1179p	836p	2,022	4.7
♥BC Gas		[illegible]	+6	870p	639p	—	3.9
BCE		22 1/4	—	24 1/2	17 1/4	7,048	6.8
♥Brascan		821p	+6	[illegible]	[illegible]	788.6	6.1
[illegible]		21 1/8 p	[illegible]	[illegible]	6p	[illegible]	26.3
Can Imp Bk		1578p	+10	1610p	1180p	2,276	4.5
Can Pacific		898p	—16	[illegible]	755p	2,882	0.2
4pc Deb		37	—	37	30	17.3	10.8

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

MEDIA

MOTORS

STORES

PACKAGING, PAPER & PRINTING

MERCHANT BANKS

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, *along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price.* The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
¥ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend.
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other offical estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FINANCIAL TIMES
Weekend February 22/February 23 1992

Israeli child dies in Hizbollah rocket attack

By Hugh Carnegy in Jerusalem

HIZBOLLAH militiamen returning to southern Lebanon within hours of a withdrawal by Israeli forces fired a rocket into northern Israel yesterday, killing a five-year-old girl.

Israeli forces responded quickly to the first Israeli civilian death since Hizbollah (Party of God) began a series of rocket attacks in revenge for Israel's killing on Sunday of Sheikh Abbas Mousawi, the organisation's leader.

Heavy artillery bombardments were directed at villages north of the security zone – now largely deserted by their inhabitants – including areas from which Israeli tanks and troops had just withdrawn after their 24-hour strike into United Nations-patrolled Lebanese territory. Officials said further action on the ground would be taken if necessary.

The withdrawal – after an operation aimed at stamping out the rocket threat to the "security zone" Israel occupies just north of its border with Lebanon – followed international protests led by Mr Boutros Boutros Ghali, the UN secretary-general, and urgent US calls on the Israeli, Lebanese and Syrian governments to exercise "maximum restraint".

However, the spate of violence which has gripped the area for the past week went on unabated and is certain to sour the atmosphere when Israeli, Lebanese, Syrian, Palestinian and Jordanian negotiators meet in Washington on Monday for a new round of Middle East peace talks.

The attack confounded claims by the Israeli army that its earlier thrust against Hizbollah, in which two Israeli soldiers, seven guerrillas and two civilians were reported killed, had been "a complete success".

Hizbollah fighters were reported to have poured back into the two villages the Israelis had captured. They were said to have been accompanied by gunmen from the Amal militia, another Shia group which had previously been at odds with Hizbollah.

Mr Yitzhak Shamir, the Israeli prime minister, fresh from his re-election on Thursday as Likud party leader, has promised to use "all Israel's might" to end the attacks.

He has rejected action on the scale of the 1982 invasion, but his tactics seem to be to convince Hizbollah's leaders that the value of further rocket strikes is far outweighed by the scale of Israel's retaliation.

US credit crackdown, Page 3
Realism in retreat, Page 8

Kinnock warns against the 'economics of embezzlement'

Tories accused of buying votes

By Ivo Dawnay, Political Correspondent

MR NEIL KINNOCK stepped up Labour's efforts to pre-empt a Tory pre-election Budget tax cut. He warned yesterday that the government was playing its last electoral card by trying "to buy votes with borrowed money".

In a speech to parliamentary candidates in Birmingham, the opposition leader laid heavy stress on the choice between Labour's plans for investment for the public services and "the economics of embezzlement". To the government's embarrassment his comments were echoed in a warning from Mr Cecil Parkinson, former Tory chairman, not to use borrowing to "bribe" the electorate.

Mr Kinnock's attack came as a new opinion poll showed the Tories on 39 per cent, a two point lead over Labour on 37 with the Liberal Democrats on 19. Last week the Tory lead was 2¼ points.

The Gallup figures for The Daily Telegraph were greeted with relief by Conservative party managers following an NOP poll, published yesterday, showing Labour four points ahead after a week of bitter skirmishing over the recession.

Both parties were disputing the accuracy of the findings, with Labour arguing that Gallup normally exaggerated the Tories' strength and the Conservatives claiming that the reverse was true of NOP.

Earlier, Mr Kinnock had expressed regret that Labour was not more than four points ahead at this stage of the campaign. But he added in a BBC interview that fear of the recession did not "naturally make people lunge for change."

Labour's recovery to neck-and-neck from just 28 per cent support in 1983 left him certain of an election victory, he said.

While Mr Kinnock was conjuring a picture of a Labour partnership with private sector industry, senior Tory ministers in London were portraying their opponents as champions of "massive state intervention and interference".

Labour's views on intervention in industry were again under the spotlight, however, after Mr Frank Dobson, the party's energy spokesman, indicated that a Labour government would be within its powers to halt the building of new port facilities planned to

Politics..........................Page 6

handle coal imports.

His comments came in reply to a critical letter from Sir Graham Day, chairman of PowerGen and British Aerospace, which firmly rejected Mr Dobson's suggestion on Wednesday that the government could use its 40 per cent shareholding to impose directors on Powergen's board.

Today, Mr John Major will take the pre-electoral battle to Glasgow where he will spearhead a new Tory drive to discredit the arguments for a devolved parliament or full independence.

In a speech, previewed by Conservative officials as "passionate and personal", the prime minister will tell Tory candidates that the battle to maintain the union with England, Wales and Northern Ireland is more crucial even than the general election or party politics.

Neil Kinnock: envisaging a partnership with industry

Ownership of Wace Group to be investigated by DTI

By Richard Donkin

BRITAIN'S Department of Trade and Industry has appointed inspectors to investigate the ownership of Wace Group.

The appointment of Mr Anthony Robertshaw and Mr Christopher Mayhew was announced yesterday. It follows an internal inquiry by Wace into share dealings ahead of an uncontested takeover in 1990 of its main UK rival, Parkway Group.

Wace is the world's largest specialist in pre-press printing – preparation and amendment of text and pictures before printing. It said it found "potentially unlawful" dealings in Parkway shares.

The Wace findings, passed to the DTI, included a series of share transactions carried out by relatives of Mr John Clegg, its former chief executive. Mr Clegg, 38, resigned three weeks ago, three days after the company had denied that it had connections with the Irish Republican Army.

The denial was issued because of an article in the Sunday Telegraph which linked an unnamed publicly quoted UK company to an IRA money laundering scheme.

It emerged that share dealings surrounding the Parkway takeover had been investigated by the London Stock Exchange's insider dealing group. A dossier was shown to the Royal Ulster Constabulary in June last year. A brief police investigation was carried out into suspicions of IRA connections but this was dismissed.

The DTI said it was looking at the information passed on by Wace. The inspectors have been appointed under Section 442 of the 1985 Companies Act which covers investigations into who has financial interests in a company's success or who may have control or influence over company policy.

In the months before Wace launched its bid on August 1 1990, nearly 4m Parkway shares were bought and registered in the names of six of Mr Clegg's relatives and seven people sharing their addresses.

Mr Clegg, in a statement released by his solicitors this week, said he had never provided price sensitive information to anyone.

Mr Frans ten Bos, Wace chairman, said yesterday he welcomed the DTI investigation. "The company has nothing to fear from its findings. Our only wish is that the position should be speedily resolved." The DTI investigation has no time limit.

Picture and report, Page 11

THE LEX COLUMN

Lloyds sets the pace

It would be easy to jump to the conclusion from Lloyds' results that its days of outperformance against the bank sector are numbered. Bad debt provisions at 2.3 per cent of loans were somewhat worse than the market expected, which bodes ill for Midland's results next week. Lloyds' loan book has shrunk by nearly 10 per cent, admittedly because of exchange rate effects and disposals as well as sliding UK credit demand. The main force driving up operating profits thus remains the remorseless squeeze on costs. Consider the looming competition in life insurance from Abbey National and National Westminster, and one might think the best news is already in the price.

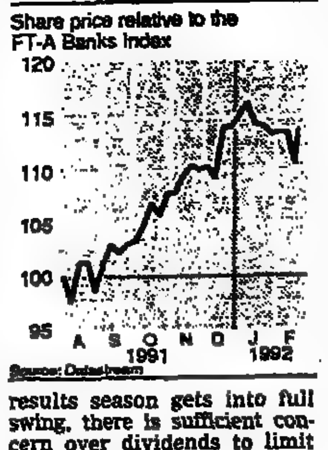
That could yet be rash. Even though provisions will be steep again this year, costs will remain under pressure: more jobs are to go and the savings from last year's cut of 8,500 staff will be felt for the full year. The shrinking loan book has boosted Lloyds' capital ratios substantially. If National Westminster's experience has been similar, that could lift some of the rights issue and dividend worries surrounding its shares. But Lloyds itself stands to benefit whatever happens to the economy. It has room both to expand in a recovery and to maintain or even increase its dividend if one does not materialise – especially given the reserve of untapped profits from its over-generous developing country debt provisions.

Assuming that low inflation holds down loan growth, Lloyds might sooner or later find itself in the unusual position of having a chronic surplus of capital. The question, then, is whether even its disciplined management would be tempted down a ruinous acquisition trail, though at some stage a few extra outlets for the insurance products would doubtless come in handy.

FT-SE Index: 2,542.3 (−1.1)

Lloyds Bank

Share price relative to the FT-A Banks Index



Source: Datastream

Equities

The failure of the London market to respond to yet another record close on Wall Street was merely the latest in a series of striking reminders that UK equities are thoroughly becalmed. Since the start of the year, the FT-SE index has risen by 50 points, or just 1.7 per cent, more than half of that increase occurring this week. Granted, the market has been restrained by political worries: yesterday's opinion polls were reason enough for the market to reflect a note of caution. As the corporate results season gets into full swing, there is sufficient concern over dividends to limit investors' enthusiasm. Equally, it is fashionable to turn the argument around and contend that US investors are impossibly optimistic about economic recovery – the yield ratio between US bonds and equities has reached its highest level since the 1987 Crash.

It is thus the more interesting to note that the FT-SE would now be some 45 points higher, but for the notable underperformance since mid-January of three very large stocks – Glaxo, BP and Shell. One implication is that the broader performance of equities has been surprisingly positive. Unfortunately, that could mean London will be even more vulnerable to bad news.

Germany

While UK investors agonise over whether to switch from equities to gilts, the opposite debate is raging in Germany. That was illustrated by yesterday's close above 1,700 on the DAX index despite a background of gloomy economic news. Admittedly the market remains vulnerable to a prolongation of the Bundesbank's tight monetary policy. But it is benefiting from the widespread perception that the medium-term outlook favours equities for reasons that go beyond the cycle.

In theory, equity market reform should remove at least some of the discrimination against minority shareholders that has deterred buyers hitherto. European single market reforms promise increased competition in the insurance industry, leaving it uncomfortable with the safe, but relatively modest, returns available from the bond market. For the first time in modern German history, individuals are accumulating inherited wealth and wondering what to do with it. Since they are already affluent, they are more likely to take the risks of equity investment – all the more so since unification should push up the medium-term trend rate of German growth.

Even if the Bundesbank goes in for overkill and the promised recovery does not materialise, bonds may not regain their traditional appeal. There is not much scope for a further fall in yields now those in the US have turned up. A large part of unification spending is still being dissipated in consumption, while wage rises have pushed up industry's cost base. Both factors speak for stubborn inflationary pressures even in a downturn. The choice seems to be between cash and equities: bonds are running a distant third.

Electricity

The government has several motives for its recent wholesale interference in the electricity industry, not least a pre-election wish to prove to domestic consumers that privatisation can bring tangible benefits in the form of lower nominal, as well as real prices. But the crux of the negotiations between Whitehall and the two generating companies in particular is the future of British Coal. The irony can scarcely pass unremarked: the government is seeking to safeguard a future privatisation by pulling strings in a supposedly unfettered industry.

In effect, the generators are being asked to forgo some of the extra profits they stand to make after next year from cheaper imported coal. It is difficult to quantify, but if a deal over future deliveries of UK coal is struck, the generators might increase annual profits by 15 instead of 20 per cent.

Far from damaging the companies' shares, the effect of lower revenues would be amply offset by the simultaneous removal of political and regulatory uncertainty. A pre-election deal securing a UK coal industry with, say, 40m tonnes of output from 28 pits, is unlikely to be overturned by a Labour government relieved of the need for a subsidy. Nor is it likely to offend the regulator, even though it would do little to promote competition in electricity generation. Some of the gas-fired power stations planned by new entrants to the market would still be uneconomic even given the slightly higher cost of coal.

CBI report

Continued from Page 1

The picture of the factory sector stuck in recession is underlined by only a small improvement in companies' order books, which have been depressed for two years. Manufacturing accounts for just under a quarter of the economy and influences other sectors such as services.

According to the survey of 1,425 businesses in 50 industries, 22 per cent of companies believe output volumes will be lower over the next four months, with 19 per cent expecting an increase.

Because of weak demand and tight competition, inflationary pressures at a wholesale level are extremely low. The CBI said that as many manufacturers expect to cut prices over the next four months as to increase them.

This marks the lowest inflationary pressures recorded for manufacturing in a February survey since 1967.

Hidden costs of policies

Continued from Page 1

revealed in DTI returns offer the first glimpse of the full costs of selling new policies.

Ms Jean Eaglesham of the Consumers' Association was strongly critical of the combination of high initial expenses and high early lapse rates on policies. Consumers do not know the extent of their charges, she said.

"It allows companies to do what they like and hide behind an industry-wide figure which is not in cash terms and which consumers do not understand anyway."

Mr Roman Cizdyn, insurance industry analyst at Smith New Court, said: "The lower the ratio, the better the value for the customers, the shareholders and future generations of policy holders."

The Association of British Insurers, a trade group, is fighting proposals by regulators which would require each company to disclose more about its own expenses to prospective customers. "To allow company-specific expenses in illustrations could give a potentially misleading advantage to companies with low current expenses," the ABI said in a paper submitted to the Securities and Investments Board.

The revelations follow a report by the SIB last year showing that a quarter to a third of all policies are cancelled within the first two years.

Mr Jebens said the front-ended nature of sales expenses meant that it would take seven to 10 years on average before the holder of a 20-year policy even earned back premiums paid.

The data are bound to fuel the debate among regulators about how life assurance sales agents should disclose costs to consumers. The SIB and Lautro are engaged in a debate with the insurance industry over the format of a new disclosure regime set to be proposed next month.

Actuaries caution that the data from the DTI reports are only a rough guide to charges and should be treated with caution. "There is a correlation between expenses and charges, but it is not a perfect one," said Mr Chris Hairs, actuary at Legal and General and chairman of the disclosure working party of the Institute and Faculty of Actuaries.

Mr Hairs said the data reflect costs across all categories of business. Different types of policies may have different costs than implied by the data, he said.

Some high expense ratios may reflect one-off investments that will reduce costs in later years. Some companies are writing large volume group business with low overheads, which lowers the average shown in the DTI data. Individual sales, however, may carry higher costs.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Allianz AG	2335	+	29
Fag Kugelfischr	258	+	4.5
Linotype-Hell	368	−	6.5
MetallgTschaft	424.9	−	10.4
Schmalbach Lub	566	−	11
Falls			
Asko Prf	645	−	20
New York ($)			
Rises			
Healthdyne	26¾	+	2½
Pfizer	72⅛	+	1⅛
Schering Plough	57½	+	1
Supercuts	22⅛	+	2⅛
Falls			
Chrysler	17⅛	−	⅝
Zeos Intl	17⅞	−	3⅞
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Bouygues	604	+	20
Club Mediterran	539	+	25
Imetal	315.1	+	14
Radiotechn	565	+	20
Falls			
Bongrain	2800	−	83
Paris Reescomp	260	−	8.3
Tokyo (Yen)			
Rises			
Hokuriku Seyak	1650	+	150
Mitsui Taiyo Kb	1420	+	120
Nippon Carbon	1840	+	140
Nohon Nosan Kg	514	+	46
Saibu Gas	525	+	44
Falls			
Tokyo Seimitsu	1010	−	90
London (Pence)			
Rises			
Abbeycrest	70	+	7
Alex Workwear	51	+	10
Barr (AG)	243	+	13
Clarke Foods	143	+	14
Delyn	34	+	4
Flextech	156	+	7
Ingham	99	+	8
Jessups	65	+	10
Lloyds Bank	404	+	17
Low (Wm)	239	+	11
MMT Cmptg.	93	+	8
Monarch Res	69	+	10
Taveners	160	+	30
Usher (Frank)	66	+	10
Wace	119	+	6
Falls			
Berisford Intl	80	−	5½
Brooke Tool	7¼	−	6¼
Derwent Water	465	−	25
RHM	206	−	9
Securicor A	621	−	28
Vickers	182	−	6
Wilkes (J)	171	−	6

Morse warns on bank bad debts

By Robert Peston

SIR Jeremy Morse, Lloyds Bank chairman, warned yesterday that UK banks' bad debts were unlikely to fall in 1992, while disclosing that his bank had made a record charge of £885m to cover the risk of losses on its loans to UK companies and individuals.

"Banks' bad debts are at their worst since the 1930s," he said. "My prediction is that bad debts in 1992 will be about level with 1991."

Lloyds still made pre-tax profits of £645m in 1991, up 9 per cent on the previous year and higher than City analysts had been expecting.

Faced with difficult economic conditions the bank has cut costs. It reduced staff by 8,500 last year and Mr Brian Pitman, the chief executive, said there would be "2,000 or 3,000 job losses this year".

Mr Pitman also said he wanted salary growth in the group to fall gradually to an annual rate of about 2 per cent.

Lloyds was the first English clearing bank to disclose its 1991 results. Analysts expect it will be the most profitable, even though it is far smaller than National Westminster Bank and Barclays. In 1991, the four clearers are thought to have suffered bad debt charges of about £4.5bn in aggregate.

Lloyds' total bad debt charge was £918m, up from £778m in 1990. Sir Jeremy said there had been a trend of falling losses on loans to big companies, but losses on exposure to smaller businesses had been increasing. More recently a rising proportion of loans to personal customers had been going bad.

Nonetheless the trend has been obscured by the collapse of the late Mr Robert Maxwell's business empire at the end of last year, which led Lloyds to make provisions against its Maxwell exposure of at least £80m, according to analysts.

Sir Jeremy warned that even when an economic recovery came – and he stressed there was no sign of one yet – bad debts would continue to rise.

Black Horse favourite in profits race, Page 10

WORLDWIDE WEATHER

UK Today: Unsettled, windy weather will make it feel cold in most areas, especially the north, in spite of milder temperatures. Southern counties will stay mostly dry and cloudy after some bright spells. Elsewhere, it will be mostly cloudy with some rain, with more persistent, heavy rain spreading from the west.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	12	54	Bombay	S	27	81	Corfu	S	[illegible]	[illegible]	Hong Kong	S	16	61
Algiers	C	9	48	Bordeaux	S	[illegible]	41	Dallas †	S	9	48	Innsbruck	F	−1	30
Amsterdam	C	6	43	Boulogne	C	6	43	Dublin	C	9	48	Inverness	F	7	[illegible]
Athens	C	6	43	Bristol	C	6	43	[illegible]		–	–	Isle of Man	F	8	46
Bahrain	S	[illegible]	70	Brussels	F	5	41	Edinburgh	C	7	45	Istanbul	F	3	37
Barcelona	S	10	50	Budapest	F	2	36	Faro	S	14	57	Jersey	F	6	43
Beijing	S	7	45	Buenos Aires		–	–	Florence	S	7	45	Johannesburg	T	17	63
Belfast	S	7	45	Cairo	F	23	73	Frankfurt	F	4	39	Las Palmas	C	19	66
Belgrade	F	2	36	Cape Town		–	–	Geneva	S	1	34	Leeds	C	7	45
Berlin	Dr	3	37	Cardiff	C	7	45	Gibraltar	F	14	[illegible]	Lisbon	[illegible]	11	52
Biarritz	S	6	43	Chicago †	S	−3	27	Glasgow	C	7	45	Locarno	S	5	41
Birmingham	C	7	45	Cologne	C	4	39	Guernsey	C	8	[illegible]	London	[illegible]	7	45
[illegible]	F	8	46	Copenhagen	C	4	39	Helsinki	S	−6	21	Los Angeles †	C	15	[illegible]

		°C	°F			°C	°F			°C	°F			°C	°F
Luxembourg	S	[illegible]	37	Munich	Sn	−2	28	Prague	Sn	1	34	Tel Aviv	C	12	54
Madeira	F	15	59	Nairobi	[illegible]	27	81	Reykjavik	Sn	−1	[illegible]	Tenerife	C	18	64
Madrid	S	7	[illegible]	Naples	F	6	43	Rhodes	R	6	43	Tokyo	C	8	46
Majorca	F	11	52	Nassau		–	–	Rio de Janeiro		–	–	Toronto †	S	0	32
Malaga	F	14	57	Newcastle	C	7	45	Rome	S	9	48	Tunis	R	11	52
Malta	C	11	[illegible]	New Delhi	S	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]	Valencia	F	11	52
Manchester	S	9	[illegible]	New York †	C	4	39	S'Francisco †	F	12	54	Vancouver †	R	5	41
Melbourne	S	19	66	Nice	S	11	52	Seoul	S	1	34	Venice	S	8	46
Mexico City		–	–	Nicosia	R	8	46	Singapore	F	31	88	Vienna	Sn	−1	30
Miami †	C	23	73	Oporto	S	10	50	Stockholm	S	2	36	Warsaw	F	−1	30
Milan	S	5	41	Oslo	F	0	32	Strasbourg	C	5	41	Washington †	S	2	36
Montreal †	Sn	−5	[illegible]	Paris	S	5	41	Sydney	Dr	20	68	Wellington	F	17	63
Moscow	S	−15	5	Perth	S	23	73	Tangier	S	14	57	Zurich	S	0	32

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

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Weekend FT

SECTION II

Weekend February 22/February 23 1992

Out of the red and into the Black

Raymond Snoddy tells how an ailing British institution has been turned into a gold mine by the Canadian tycoon who rescued it

AMONG remarkable success stories, the one about the British institution sold six years ago for £30m, and which next week will announce a pre-tax profit for last year of £40.5m – some 35 per cent more than the purchase price, in spite of the worst recession since the Second World War – takes some beating. But the profit is only part of it; for the story also is one of an investment that has, incredibly, multiplied 1,500 per cent.

The institution is the *Daily Telegraph* newspaper, which had been controlled by the aristocratic Berry family since 1928 but was on the verge of bankruptcy in December 1985. In the six months to September that year, the paper had lost £16m. In February 1986, control was bought by a Canadian tycoon named Conrad Black, who was almost unknown outside his native country but is now, aged 47, in the process of assembling a newspaper empire that recently swallowed Australia's influential Fairfax group.

For more than 30 years until its sale, the *Telegraph* had been run by two men – Lord Hartwell, now 80, who became chairman and editor-in-chief in 1954; and his brother, Viscount Camrose, now 82, who had been deputy chairman since 1939. They remain on the board as non-executive directors representing what used to be the all-powerful Berry family trust. But both must have very mixed feelings as they contemplate the turnround in their old company's fortunes. Indeed, they must wonder if they made a very serious mistake in selling for what, in hindsight, seems almost a giveaway sum – especially since their former fiefdom is now valued at a minimum of £500m and, possibly, as much as £1bn.

Hartwell and Camrose used to work in splendid isolation on the fifth floor of their old headquarters at 135 Fleet Street, in the one-time heart of the UK newspaper industry. Hartwell had a suite to one side of the wood-panelled boardroom, Camrose had one on the other. In the space between, executives would tell them what they wanted to hear as the *Telegraph* slid towards the abyss – ironically, because a belated attempt at modernisation was bungled. Vast spending on new printing plant in the Docklands of east London had been committed – without adequate financing or an effective plan to reduce the exorbitant wage costs of the print workers – at a time when both advertising and circulation were dropping. It proved a fatal combination.

Effectively, the Berry family lost control of the *Telegraph* in the Kennedy Hilton hotel at New York's JFK airport on May 28 1985, when Hartwell persuaded Black to invest £10m in the hard-pressed newspaper group in exchange for a 14 per cent shareholding. The ambitious Canadian had been alerted to the investment opportunity by a British friend, Andrew Knight, then editor of *The Economist* news-magazine and later Black's chief executive at the *Telegraph*. But, in one far-sighted move at the meeting, Black laid the foundation of his media empire by demanding pre-emptive rights on any further issue of shares.

"I don't think we can resist that," said Hartwell, convinced that no further money would be needed. "In that moment, without realising it, he gave his birthright away," comments Duff Hart-Davis in his book, *The House the Berrys Built*.

Black is fond of describing the deal as "not the sort you expect to get two of in a lifetime." But how could the Toronto-based owner of a string of small-town North American newspapers, with little knowledge of Fleet Street and its then all-powerful printing unions, save the near-moribund *Telegraph*, restricted as it was by tradition, debt, and corrupt labour practices?

Although the *Telegraph*, founded in June 1855 during the Crimean War, never occupied such a central role at the heart of the establishment as *The Times*, it was for generations the authentic voice of upper middle class England. For a long time, it outsold the rest of the daily "quality" press put together. Even now, it sells more than 2.5 times as many copies as *The Guardian*, which leads the rest of the pack. But, despite these strengths, when Black took over it was on its knees commercially.

Black foresaw in May 1985 that Hartwell would be unable to meet his budget plans. By December, it was clear that a new injection of cash would soon be needed; this, under the rights agreement, would enable Black to gain a majority shareholding. But an awkward period ensued while Black, who had a seat on the *Telegraph* board, put together a team ready to take over. He told Knight, who was still editor of *The Economist*, to lay his plans for becoming chief executive.

Knight arranged a dinner with Frank Rogers, one of the wisest heads in Fleet Street. Rogers was a former Fleet Street sports reporter who had also managed papers in Africa, been managing director of the huge IPC Magazines group, and chairman of another publishing group, EMAP. Black, a somewhat forbidding figure, hit it off with the benignly mischievous Rogers, who was then approaching normal retiring age.

Black then persuaded Hartwell to give Rogers a seat on the board and promised that Rogers would become deputy chairman – a position he still holds. He also brought in Joe Cooke, a soft-spoken Irish management consultant with a background in engineering, as an adviser. Cooke knew little about national newspapers – but plenty about manning and cost-cutting in large-scale industry. Once, when he reorganised one of Britain's biggest double-glazing operations, working hours were increased and labour costs cut to one-third. He was to become the new *Telegraph's* managing director.

Only three months after this "management in waiting" had been assembled, Knight, Rogers and Cooke were implementing a similar plan to reduce overmanning and excess wages in the printing operation. But, as "highly confidential" documents of the time show, the battle was not just with the unions. The first salvoes of opposition were fired by the paper's old-guard management which wanted to tip-toe to reform in the traditional way. Its own plan for cutting manpower at the new Docklands plant had been extremely modest.

On Friday December 20, Hartwell summoned Knight to his office and told him to stop giving orders to his executives. But the management-in-waiting already knew what it wanted. Early in January, Cooke drafted a revolutionary plan for survival that involved challenging the print unions head-on. This came at much the same time as Australian-born media tycoon Rupert Murdoch also was planning a similar confrontation. His Fleet Street operations, like those at the *Telegraph* and everywhere else in national newspapers, were still subject to a labyrinth of demarcation agreements, ghost shifts, double manning and other restrictive practices.

The old *Telegraph* management did not have stomach for the fight, though. At a meeting on Sunday, December 22, a majority of the board decided that 10 per cent savings was all that could be obtained in Manchester, and that setting maximum wage costs – as the Black team wanted – was not appropriate for a newspaper printing plant. Cooke recalls: "They said that when I had been in newspapers long enough, I would find out that all the money was made from advertising. You didn't make money from printing plants and I was very foolish to think you did."

The new guard went underground to plan for the day it would take power although it did manage, in December, to insist that negotiations with the unions should be suspended. By then, Cooke had picked-up rumours of Murdoch's intention to switch all his titles – including *The Times, The Sunday Times, The Sun* and the *News of the World* – to a new, ultra-modern plant in Docklands. The plan was to wait until Murdoch had moved; this actually happened later in January 1986.

Unlike Murdoch, who shifted his entire operation more or less overnight and ignored the unions, the *Telegraph's* aim was to present each of them with a *fait accompli*, delivered at carefully-timed meetings, with no group of employees having access to the big picture. "What we were concerned to avoid was an instant trigger response with somebody going on strike. Once they're out, its a hell of a job to get them back. If you got over the first day, you'd effectively won," says Cooke. In the end, the day for action was set as March 26 1986, and the plan was named Operation Blackbird.

Union chapels (local branches) were told, at half-hourly intervals, that the Fleet Street headquarters was being closed and operations were being transferred to a new one in Docklands. Anyone who wanted to work there would have to accept new terms: five days a week working instead of four, and £80 a shift rather than £125. Redundancy payments of up to £45,000 were offered. The printers did not go on strike; indeed, union representatives, having by now heard of the master plan, started to enter meetings singing *Bye Bye Blackbird*.

For Black, the outcome was remarkable. At 135 Fleet Street, there had been 1,637 printing jobs costing £40m a year. The old guard's presentation to banks in the autumn of 1985 had envisaged 1,292 jobs costing £39m in Docklands. The deal agreed finally was for 679 jobs costing £16m.

The managers then turned to the more subtle and problematical task of modernising the appearance and content of the *Telegraph*, and the even more demanding challenge of trying to halt an apparently inevitable slide in circulation. Max Hastings, then a columnist on the London *Evening Standard*, was brought in as editor to shake out the cobwebs.

The most serious problem was an ageing readership. "The undertakers have dispatched 300,000 subscribers since I took over," says Black, mournfully. If none of those readers had been replaced, the paper would long since have slipped below the symbolic 1m circulation mark. Instead, the pace of circulation loss has declined, despite price increases from 23p in 1985 to the present 45p, and the recession.

In 1980, the average circulation was 1.44m. Five years later, it was 1.21m. Last year, it dropped to 1.067m. The recent decline has, however, been much less than that of its two main broadsheet rivals, *The Times* and *The Independent*.

The change in the paper's appearance has been even more dramatic. Cover up the date and the tight, grey, poorly-illustrated columns of only six years ago could have passed for any issue in the previous 40 years. The new *Telegraph* has clean layout, a sharper approach and a growing confidence with pictures – what Hastings calls "progressive change by stealth."

Less obviously, the political tone and image of the paper has been manipulated gently. The *Telegraph* always can be relied-on to argue vigorously for the return of another Conservative government. Yet, the paper now is less rampantly right-wing and the days are past when no one under 40 would want to be seen with a copy.

In turn, critics say that its long-standing "Torygraph" nickname has merely given way to a new one: the "Hellograph," a reference to the successful but bland and uncritical celebrity magazine called *Hello*. On balance, Black prefers the new caricature to that of the old Colonel Blimp.

Perhaps the most telling symbol of the new *Daily Telegraph* is the recently poaching of Alex, a popular Yuppie cartoon character, from *The Independent* – the daily founded by former *Telegraph* staff several years ago and which was supposed to sink their former employer. Black says that poaching Alex is a warning that the *Telegraph* is flexing its muscles again.

CONTENTS

The Long View/**Barry Riley**

All over the place

"I'VE HAD a bellyfull of German bankers," grumbled my old friend Steve the strategist, hotfoot from Frankfurt this week on a leg of one of his regular world tours. "I never want to hear the phrase 'monetary discipline' again. They say they hate inflation, but they just love the power it gives them."

London, I murmured, could be the right place to escape from such people. With the General Election coming up he was unlikely to hear anything about discipline.

Instead there would be soaring deficits, tax cuts and a political competition to promise ever-higher spending. True, he could find much the same sort of thing in the US too, with a few extra bimbos to add some glamour.

Steve admitted that he had almost forgotten about the British election. Most people outside the UK thought the election was 15 months ago, and Margaret Thatcher inexplicably lost.

The election might seem a big deal to the natives, but if both the leading British political parties were committed to remaining part of the DM currency bloc the international markets would probably stay relaxed about it, although no doubt the forex traders would want to test out any new regime thoroughly.

Steve has bigger fish to fry. In fact, he told me, these are the kind of circumstances in which strategists ought to be able to earn several times over their first-class air fares and sojourns at "conferences" at the Mandarin Oriental, Bangkok.

There were all the signs of a major bust-up in the leading markets, with indices going in all different directions. "When Hong Kong is the global stock market leader you have to watch out," said Steve. "It's not so bad as when Australia is heading the league table, but not far off."

The big stock markets had a nice little surge over Christmas but only Wall Street had managed to hit new high ground in February.

For the rest, Toyko was threatening to break decisively down through the 21,000 level on the Nikkei – a fall of 45 per cent over the past two years, while Wall Street was up 20 per cent over the same period. As for Europe, it was going nowhere very much at all, kept under lock and key by the Bundesbank's high interest rates.

Steve said: "We have a rip-roaring bull market in the US with historic p/e's on the industrial blue chips hitting 25 and all the small punters piling into the over-the-counter garbage stocks touting Aids cures.

"Net sales of equity mutual funds had trebled year-on-year by the fourth quarter as the suburban punters piled in, fleeing from microscopic deposit rates on savings accounts. It frightens the foreign investors out of their wits, but they dare not stay out of the game.

"Over in Tokyo we have the mirror image. Tokyo housewives have said goodbye to investment trusts, which are the Japanese mutual funds, and so long as the financial scandals keep breaking in the newspapers one after another they are going to stay right out. The corporate tokkin funds are also heading fast for the exit.

He added: "All right, we hear that the Big Four securities houses and the Ministry of Finance are going to fix the market, but that sounds more like the old problem than a new solution.

"This leaves the foreigners as the only buyers in town, and suddenly they can actually see real value in the industrial sectors, but they are feeling awfully lonely out there, and worrying what will happen when the Japanese banks have a rare meeting with reality."

At least, I commented, the yen and the dollar were not locked together. There was a certain amount of give in the system. In Europe, on the other hand, we had divergencies that were being suppressed by exchange rate rigidities.

Suddenly there was a lot of talk about a German recession, but as a recession it seemed to be about as technical as our own "technical recovery" in the UK in the third quarter of last year.

In Frankfurt, said Steve, the German bankers were uncompromising. If the rest of Europe didn't like it they could always devalue. The ERM was not EMU - not yet, anyway. German short-term rates seemed unlikely to drop significantly before the end of the year.

Of course, realigning within the ERM would not solve the interest rate problem. But the pressures within France, Italy and the UK seemed to be boiling up to some sort of climax.

"I'm formulating my survival strategy, only as a contingency plan, of course," confided Steve. "Suppose Tokyo takes another dive as the financials melt down. That would bust the fragile boom on Wall Street, kind of 1987 only heading east to west.

"Those punters in condos in Florida would head back into bond funds, or take 3 per cent in the First Tampa Bay S & L, gritting their teeth and even talking about voting Democrat. Meanwhile the Europeans would be realigning in panic.

"So my reading is, short the dollar, go long of DM cash, and then get ready to move when the dust has settled into UK and French bonds, where the yields will be high, and Japanese industrial equities, where it will even soon be worthwhile cashing the dividend cheques.

"The first thing, though, is to get the hell out of Hong Kong."

I raised an eyebrow. This did not seem to be what his latest client circulars had been saying. If my memory was not failing me the advice was to stay with Japanese blue chips and US second line growth stocks.

"Sure," said Steve. "The 60 per cent probability is still that US economic growth will jerk up by the second quarter, and the Japanese will be able to shuffle their way out of trouble as usual.

"Besides, our corporate finance department has a couple of big international M and A deals in the pipeline which could abort if the markets get nervous.

I had never heard Steve talk quite like this before. He has absolutely no sense of humour, so he could not have been pulling my leg. Perhaps the jetlag had finally caught him up. Or maybe he had been talking to too many bankers in Frankfurt, and he'll soon get over it.

FINANCE AND THE FAMILY

London Markets

Oiling the skids for a bout of pessimism

By Peter Martin, Financial Editor

IN REAL terms, the oil price peaked exactly ten years ago. Since then, it has halved. You might think, to judge from the movement of oil price shares over the past week, that this basic fact of life has only just sunk in: Shell ended the week at 448p, down 19p; BP at 258½p, down 9½p. Since January 1, the oil and gas sector of the FT-Actuaries All-Share index has underperformed the market by 13 per cent.

The Opec meeting last weekend – which ended without a commitment to sustained production cuts – was the key factor in the sector's slide. As the chart shows, this is only the latest phase in a period of sustained underperformance: the Gulf War spike aside, oil prices in nominal terms have remained roughly constant for the past two years or so, but the oil sector has drifted steadily downwards against the market as a whole.

As always happens when a clutch of stocks get a bad name, every piece of news seemed bearish: the after-effects of BP's dividend decision the previous week; some speculation about poor progress in the company's Colombian exploration; the departure of James Ross, BP's US boss, for Cable and Wireless; Shell's 4 per cent dividend rise when the market had been hoping for more.

The sense that the worldwide economic slowdown might be longer and more pronounced than hitherto expected has also affected the shares. The week's international economic news has been predominantly gloomy: Alan Greenspan, chairman of the US Federal Reserve, told Congress that America's credit crunch had not yet eased, for example; and Hans Tietmayer, deputy president of the German Bundesbank, indicated no early easing in interest rates. Oil demand is extremely sensitive to economic activity, and the oil companies' huge fixed costs make their "downstream" profits very vulnerable when business is weak.

The other force at work has been the normal cycle of opinion among the analysts who cover the sector. "In August 1990," said one battle-hardened fund manager this week, "almost all the analysts were very bullish on oil stocks just when the oil price peaked out a month after the invasion of Kuwait." As the oil price has fallen, so the analysts have started to become more cautious. "Now the balance is 75 per cent pessimistic and only 25 per cent bullish. I don't think there's much further to go."

The oil industry was not the only example of fashionable pessimism. The tone of much stock market comment is profoundly gloomy: no big downward move on European interest rates, very slow or negative UK growth this year, huge jobs cuts in the City inevitable, to choose just three examples from this week. The consensus expectation, however, is still for a healthy move upwards in share prices later in the year.

The argument goes like this: in the short run, the results due from big companies in the next couple of weeks will contain enough unpleasant surprises, especially on dividends, to unsettle the market. Ahead of an election, no sustained buying will emerge. The economy will not show clear signs of renewed growth till the second half of the year, if then.

Yet once economic recovery is confirmed, and political uncertainty is removed (if only by the discovery, which the City makes with astonishment a year into every Labour term of office, that things are not so bad after all) there is the prospect of a further move upwards in share prices. Contributory factors would be a consolidation of low inflation and the inevitable downwards move in German interest rates.

Of course, there is nothing remarkable in such a prediction: the conventional wisdom, on which Old Moore's Almanac has based a healthy business for centuries, is usually that things will continue very much as they are for the time being, and then get quite a lot better (or quite a lot worse, according to taste) at some indeterminate point in the future.

Pessimism about the economy, about profits, and about dividends is now so marked that it is worth considering the possibility of a sudden reversal of sentiment. County NatWest's prediction that of the 33 companies reporting in the next fortnight, 20 can be expected to hold or cut dividends, catches the general air of pessimism perfectly.

Against such a background, unexpected benevolence in dividends or hopeful reports on trading might transform the market's mood.

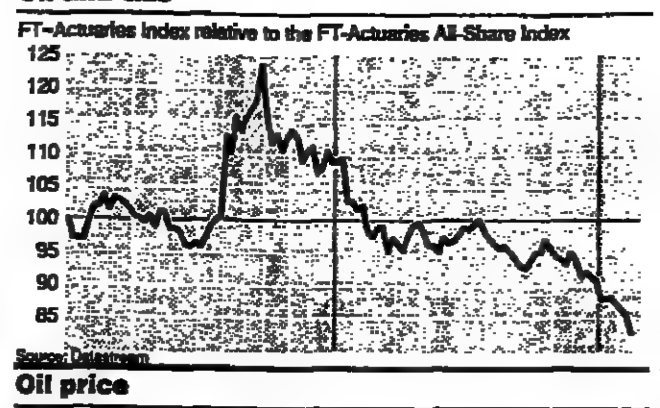
This week's indications of a giveaway, pre-election Budget offer a sober long-term perspective, however. The UK's public finances are in the early stages of a structural shift towards deficit, away from the rough balance achieved in the 1980s. Such shifts are hard to arrest while in progress: the odds are that government borrowing will be high for the next few years, keeping long-term interest rates high in real terms, depressing share price valuations in consequence and casting a lingering air of uncertainty over whether the UK will qualify for membership of EC monetary union.

In the meantime, there is one practical short-term result of the market's certainty that the election will come on April 9. There will be no bids or rights issues before then, says one equity strategist, since the risks of disruption by some campaign surprise are simply too great.

If this view is correct, it rules out the market's lingering thoughts that the banking sector's results season might be accompanied by the announcement of some large-scale merger or restructuring. The Midland Bank, usually mentioned as a central participant in these elaborate hypotheses, is due to announce its results on February 27. The results – and the accompanying management comments – will give some indication of whether a banking realignment is likely in the medium term.

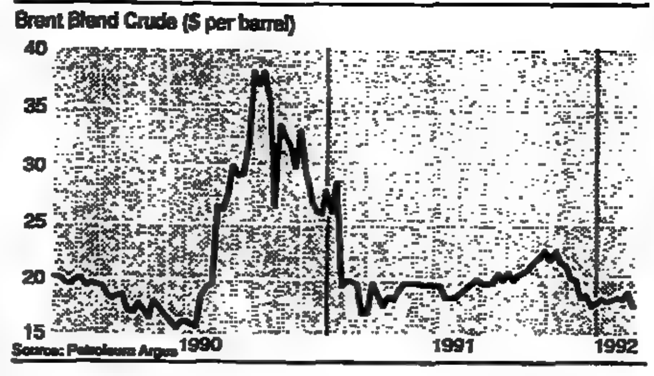
Oil and Gas

FT-Actuaries index relative to the FT-Actuaries All-Share Index



Oil price

Brent Blend Crude ($ per barrel)



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1991/92 High	1991/92 Low	
FT-SE 100 Index	2542.3	+28.4	2679.6	2054.8	Budget & base rate optimism
Boosey & Hawkes	905	+55	915	425	Music revaluation hopes
British Aerospace	310	+39	653½	263	Well received results
BP	258½	+18	361	250	Div. worries/oil price falls
Dalgety	384	+17	439	332	Well received results
Hanson	212½	+13	249½	179	US enthusiasm
Kingfisher	530	+28	582	359	Well placed for consumer recovery
Legal & General	370	+19	476	341	UBS Phillips & Drew buy rec.
Low (Wm)	239	-23	343	218	Company profit warning
RHM	206	-14	332	205	Profit downgrade/share placing
Shell Transport	448	-19	546	419	Div. disappointment
Steetley	373	+22	424	252	Hopes of increased Redland bid
Tiphook	312	-30	587	295	Bear raid
Unilever	964	+45	968	656	Ahead of this week's figures
Yorkshire Chemicals	643	+51	652	327	Positive statement/scrip issue

Serious Money

We need educating on equities

by Philip Coggan, Personal Finance Editor

THE GREAT and the good backed the formation this week of ProShare, an organisation devoted to the creation of a "nation of shareholders". But the average saver could be forgiven for being confused.

The government's privatisation campaigns may have widened the shareholding public, with the number of private investors growing from 3m to 11m during the years of Tory rule. But 54 per cent of those investors own shares in just one company. Only about 330,000 people own shares in 11 or more companies – in other words only 3 per cent have built up a diversified portfolio.

Here is the confusion. Many experts would argue that the most sensible way for the private investor to hold equities is via a *spread* of holdings.

Take the Consumers' Association's excellent guide, *Which Way to Save and Invest?* It says: "Because of buying and selling costs, it doesn't make sense to invest small amounts in shares – less than about £1,500, say. So to get a good spread – of say five to ten shares – you'd need about £7,500 to £15,000."

Plenty of *Weekend FT* readers will fall into this category, which is why we write so much about share investment. But large numbers will not. So does it make sense to aim for a "nation of shareholders"?

It is one thing to encourage employees to hold shares in the companies they work for, as a means both of fostering *esprit de corps* and of encouraging key staff to remain. The incentives for this are all in place; to date, however, companies have tended to concentrate on executive schemes.

Even employee schemes, however, have dangers. An employee who holds large numbers of shares in a company that goes bust loses both his job and his savings.

How about shares in other people's companies? Privatisations, where the government strains every nerve and sinew to ensure the issue is a success, are a special case. Indeed, one could argue that the small saver is wily enough to realise this, which is why he has stuck to privatised stocks.

One must also wonder whether many people are either just too cautious or just too impatient to invest in equities. ProShare's presentation this week included a graph showing how a portfolio of shares easily outperformed a building society over the 1980s. Indeed, it is perfectly fair to point out that, over the vast majority of ten-year periods, equities have pipped other assets.

If ProShare were a unit trust, of course, it would be obliged to show a five-year performance record. Readers may recall how we showed how an investment in a building society easily pipped the FT-A All share and the FT-SE 100 Indices over the five years to January 1992.

> *'Few investors match the indices' performance'*

I suspect that most people view five years as quite a long term to hold an investment. Certainly, the *FT* has received many letters from those disillusioned with the performance of their PEPs after two or three years.

What can also disillusion people is that the neat figures for equity performance shown by share enthusiasts are based on the indices. Few investors match the indices' performance. Some do better; but a lot do worse, because of the heavy costs (commissions, buy-sell spreads, tax) of dealing, and the difficulties of stock selection.

Indeed, there is another potential Catch 22 in this area. Part of the drive to encourage wider share ownership has centred on the need to bring down brokers' commissions, which seems a laudable enough aim. The snag is that the easiest way to offer cheap commissions is to run a dealing-only service with no advice. But surely advice is exactly what the small investor most needs?

For all these reasons, we have tended to urge small investors who want to be involved in equities to opt for unit and investment trusts. Not only do these bring instant diversification, but they are very accessible for those who want to invest, say, £25 a month. Most private client stockbrokers will place a client with £20,000 or so into unit and investment trusts, rather than opt for a full-blown equity portfolio.

Few could claim they are perfect. Over the past five years, the charges levied by the unit trusts, in particular, have got higher while their performance, relative to the indices, has been poor. It would be wonderful if we could import the American family of "no load" (in other words, no initial charge) funds, which aim to meet the index.

But the enthusiasts for wider share ownership are rather sniffy about unit and investment trusts. They are not the "real thing", since they only give the investor a diluted taste of capitalism.

It is perfectly fair for ProShare to seek to lobby on behalf of the small investor and to educate more people about the risks and rewards of share ownership. The spin-off Private Investor Association, which will be launched in May, will be worth a look.

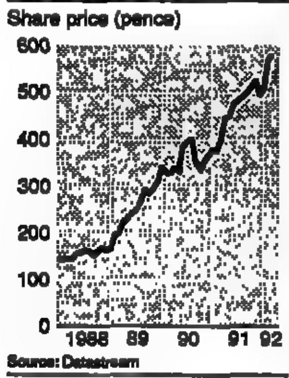
No doubt there are many *Weekend FT* readers who would reap long-term rewards if they shifted just some of their portfolios out of the building society and into equities.

But I have the sneaking suspicion that if savers were properly educated about the nature of equities, some existing shareholders might be alarmed by the risks they have assumed. The net effect of ProShare's activities might paradoxically be to reduce the total number of shareholders.

AT A GLANCE

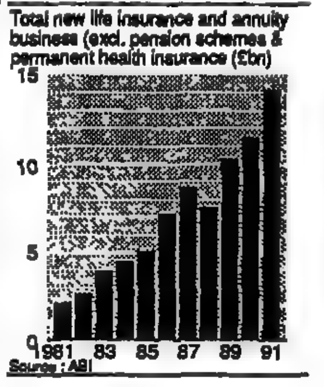
Guinness

Share price (pence)



UK new life insurance

Total new life insurance and annuity business (excl. pension schemes & permanent health insurance (£bn)



Guinness share service

Guinness is launching a low cost share dealing service with commissions of just 1 per cent on its own shares. Purchases can be made on a lump sum basis or via monthly savings of £50 or more. The company is also launching two Personal Equity Plans – a corporate Pep, with an annual £6,000 limit, and a single company Pep, with a ceiling of £3,000. There will be no initial charge on the Pep, but there will be a half yearly management charge of 0.25 per cent. Brokerage fees within the Pep will be 0.25 per cent plus stamp duty. Details of the PEP can be found on 031-337-7373 and of the share dealing from Cazenove on 071-606-1768.

Life insurance sales rise

The life insurance industry continues to thrive, despite the blandishments of the recession, figures announced by the Association of British Insurers last week showed. Total new life insurance sales were up £11.566bn to £14.115bn.

■ The hidden costs of life insurance: Page VII

Smaller companies sidelined

Small company shares are moving sideways with investors still waiting for signs of an economic recovery. The Hoare Govett small companies index (capital gains version) rose 0.2 per cent to 1199.73 over the week to February 22, while the County Small Companies Index fell slightly to 951.81 over the same period.

Gilt funds warning

Some gilt funds have been supplementing dividends by payments out of capital, according to Fund Research, the group which specialises in analysing collective funds. Of 24 authorised gilt funds surveyed by the group, nine have cut their distributions in the past six months.

"Private investors and their advisers need to be aware of which gilt funds pay their dividends purely from income and those which supplement income from capital depletion to maintain excessive yields," said Peter Jeffreys, managing director.

■ How to invest in government bonds, Page V

The bumper BES guide

Chase de Vere Investments, publishers of *Pepguide*, have just brought out an updated version of Growth Assured Business Expansion Scheme Guide.

It gives details of how the current Growth Assured BES schemes work, how tax relief is claimed and the risks involved. Graham Hooper, editor and manager of Chase de Vere's Asset Management Department said, "We are publishing this edition of the Guide to meet a growing demand for independent comparative information on Growth Assured Schemes. Investors should not be seduced by the highest rate of return but should always look carefully at the individual features and merits prior to making an investment."

The guide can be obtained free from Chase de Vere's Asset Management Department at 2 Princes Buildings, George Street, Bath BA1 2ED or by telephoning 0800-378600/0225-469371.

Wall Street

Dow surges to a record — but why?

THIS WAS a difficult week for stock market analysts and reporters. It included a lot of external "noise"; an important OPEC decision; a change in bank reserve requirements by the Federal Reserve; the New Hampshire presidential primaries; and the latest update on the economy from the chairman of the Fed.

Normally, this would be a good thing. The more happening, the easier it is for analysts and reporters to explain away events in the stock market. This week, however, investors behaved in a most contrarian fashion.

On Tuesday, the Organisation of Petroleum Exporting Countries announced a smaller than expected cut in production, which led to an immediate decline in oil prices, and the Fed eased credit conditions by reducing the amount banks have to hold in reserve. Yet, share prices fell sharply, to their lowest since January.

On Wednesday, news of President Bush's dreadful performance in New Hampshire did not, as had been expected, provoke a big sell-off in the market. Conversely, buying interest on Wall Street was not sparked to any extent by either an upbeat economic forecast from Fed chairman Alan Greenspan, and more good inflation figures.

Then, on Thursday, the one day when nothing remotely interesting happened, the Dow Jones average jumped 50 points to a record, powered by a surge in demand for a whole range of stocks from investors showing sudden enthusiasm.

So difficult was it to pinpoint a reason for this surge that analysts and reporters reverted to emergency measures. "Why did the market rise so sharply?" people asked. "Simple, really," came the experts' chorus. "More buyers than sellers." It is *never* that simple, of course, but it was as close as anyone could get to an honest answer.

The market's recent performance suggests investors remain positive, if not exactly ecstatic, about the outlook for the economy and for equities.

The initial rush into stocks from lower-yielding money market funds, bank certificates of deposit and Treasury securities has slowed. The chance of further interest rate cuts also has diminished, mainly because recent economic figures – in the form of improved car, home and retail sales, and strong money supply growth – suggest the country could be entering the first stage of an economic rebound.

Another reason for rate cuts receding is because the Fed appears convinced that monetary policy is now sufficiently accommodating to allow room for a recovery.

Although Tuesday's reduction in bank reserve requirements has been interpreted by some observers as a final tweak on the monetary strings, the action probably had more to do with the Fed's concern about the state of banks' balance sheets.

What is more, there is no guarantee that the banks will pass-on the lower cost of credit to customers. Nor is there any guarantee that customers will want to borrow any more from banks. The interest-rate play, therefore, looks as though it has been taken out of the equities game. This means that the outlook for corporate earnings must brighten if investors' faith in the market is to be rewarded.

The evidence so far is mostly positive. Although the earnings of major companies in the final quarter of 1991 were down 34 per cent on a year earlier, they were marginally better than expected. As for future earnings, Zacks Investment Research, which compiles analysts' estimates, says they are forecasting that first-quarter 1992 earnings will be 6.5 per cent higher than a year ago.

Over the longer term, if you subscribe to the theory that the recovery is now under way, earnings should improve in every quarter as the year progresses. This happy scenario could, however, be disrupted if one dangerously unpredictable external force comes into play: politics.

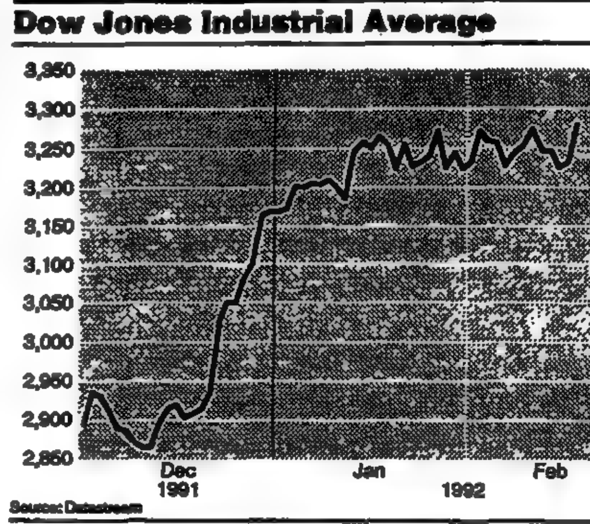
The market got its first real taste of election-year politics in New Hampshire, and did not like what it saw. The fact that a far-right television commentator and former Reagan speech-writer ran the president so close (Pat Buchanan won more than 40 per cent of the Republican vote on Tuesday) shocked the markets. George Bush, seemingly impregnable a few months ago, now looks beatable.

This frightens financial markets for two reasons. Buchanan's appeal to the conservative wing of the Republican party could force Bush into an aggressive tax-cutting package that, if passed by Congress, would bust the Budget agreement and push interest rates higher. Second, if the Democrats choose an electable candidate, and support for Bush continues to deteriorate, then the markets' biggest nightmare – a high-spending Democrat Congress and White House – could become reality.

Patrick Harverson

	Closed	
Monday	Closed	
Tuesday	3224.73	− 21.24
Wednesday	3230.32	+ 5.59
Thursday	3280.64	+ 50.32

Dow Jones Industrial Average



The Bottom Line

Sweet Scottish dream that turned sour

A BITTER-SWEET tale unfolded this week which highlighted the problems of British companies – and the investors who back them – in the recession, writes **Guy de Jonquières and Philip Coggan**.

The food industry is renowned as a defensive investment, and sugar confectionery as one of its safest havens. Last year the UK sweets market grew 2 per cent in volume – faster than during the economic boom of the mid-1980s – as cash-strapped consumers indulged in inexpensive treats.

However, shareholders in Drayton Consolidated Investment Trust must be questioning this conventional wisdom following the failure on Wednesday of Alma Holdings, an unquoted Scottish confectionery company with a stable of venerable brands, including Barker & Dobson, Keiller, Bensons and Hacks.

A Kirkcaldy-based family concern formed in 1975, Alma led a quiet existence until 1984, when its fortunes were transformed by the return of Mario Maciocia, son of the company's founder, from several years in England in the import-export trade.

A flamboyant third-generation Scot, the young Maciocia was convinced that Alma's future lay in rapid international expansion. He shook up the company's management, launched new products and set up sales divisions in the US and continental Europe. In five years, Alma's sales rose from £1.2m to more than £70m.

Maciocia's early success owed much to his undoubted, if eccentric, marketing flair. Seeking to invigorate Alma's basic line of children's sweets, he hit on the idea of Skullcrushers, a ghoulish fondant confection which oozed red jelly when bitten. The product proved a worldwide best-seller. It was rapidly followed by a range of successful sweets based on film and television characters, including Batman and Ghostbusters.

In 1988, Maciocia bought out the other family shareholders and simultaneously acquired Barker & Dobson's sweets interests for £9.75m. The deal, which involved £24m in new borrowings, took Alma into the mainstream confectionery business. It also presaged Maciocia's nemesis.

B&D – bought from the Bodgens supermarket group – turned out to have unexpectedly large losses. While still struggling to turn the business round, Alma suffered a series of arson attacks at a factory in Stockport. These inflicted heavy production losses, against which the company turned out to be under-insured. Meanwhile, plans to transfer production from a B&D plant in Bury to a site in Dundee were beset by delays.

The results were a precipitous drop in sales, which last year amounted to barely £40m, and deepening losses, compounded by high interest rates. Under pressure from institutional investors, Maciocia resigned as chairman early last year, since when the entire top management of Alma has been replaced.

However, it was too late. After the company suffered unexpectedly weak demand in the final quarter of last year, the shareholders decided to sell it. But hopes of concluding a deal were dashed by the withdrawal of an unnamed prospective bidder, making receivership inevitable.

Bad luck obviously contributed to Alma's downfall. But there are also doubts about the soundness of its underlying business plan. Maciocia admitted later that the B&D purchase was conceived while he was "intoxicated by deal heat."

Furthermore, apart from its disappointing financial performance, the acquisition presented a bigger management challenge than seems to have been appreciated at the time.

Not only do B&D's adult confectionery lines call for different marketing skills than the children's sweets in which Alma specialised; B&D's business also requires a mastery of large-scale production techniques which lay outside Alma's previous experience.

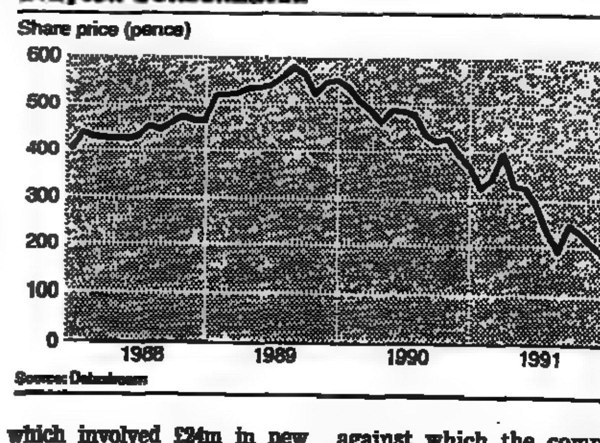
The collapse of Alma is just the latest price of bad news for Drayton Consolidated. The trust, managed by Invesco MIM, saw its share price plunge last year as investors developed doubts about the value of its unquoted portfolio.

The trust took a £37m provision against its unquoted holdings last year, and wrote down part of the value of its Alma holding. Nevertheless, the final exposure was still £19.7m, the trust's second biggest investment, and the effect of Alma's failure was to knock 57.8p per share off the net asset value per share. The news caused Drayton's share price to fall 43p to 147p on Wednesday, a long way down from the peak of 587p in 1989.

A number of trusts specialising in this area have had problems as the recession has hit smaller businesses. Unease about the sector has meant that even trusts with good records stand on a substantial discount to their asset values. Investors in such companies currently have a sour taste in their mouths.

Drayton Consolidated

Share price (pence)



FINANCE AND THE FAMILY

What is in the Budget box of tricks?

*As March 10 looms, **Scheherazade Daneshkhu** and **Philip Coggan** consider how you can plan your financial strategy*

Dealing with your tax

A BROWN envelope from the Inland Revenue demanding tax payable by April 5 may have already crossed your threshold. The tax planning season is on us and it makes sense to think about settling your affairs now, writes Scheherazade Daneshkhu.

The big uncertainty is the Budget on March 10. Casson & Beckman, chartered accountants, advise people to "take advantage of the current law as it stands before the Budget, to pre-empt any adverse changes, and then consider any further action in the light of announcements."

There are always routine measures which can be taken now. These include making full use of your annual tax exemptions, personal allowance and, if you are married, those of your spouse.

But be warned: you should not act with the sole aim of lessening your tax bill. For example, fears of a Labour government coming to power and altering inheritance tax should not prompt you to accelerate gifts, unless you really wanted to.

■ **Capital Gains Tax:** Try to use up the full allowance of £5,500 for the current tax year. This may involve "bed-and-breakfasting" shares that have made a gain by selling them on the market and repurchasing them to bring gains up to the tax-free allowance. Your taxable gain next time you sell will be lessened, since you will be starting off from a higher base.

If you bought your shares between April 6 1982 and the present, you are given an allowance for the effects of inflation on the value of your holdings. This indexation allowance varies, depending on the month in which you bought your shares. (See page VI for table and explanation).

"Bed-and-breakfasting" shares can also be done to establish a loss, if that is more convenient, and indexation will increase the loss.

If you have reached your CGT threshold but your spouse has not, consider transferring assets. These transfers can usually be made free of CGT.

Remember that the sale of assets such as paintings, silverware and jewellery worth £6,000 individually are CGT-exempt.

■ **Pensions:** If you can afford it, try to pay the maximum pensionable contribution to your scheme in order to take advantage of higher rate relief. Also top up additional voluntary contributions to the maximum limit for the year (15 per cent of your salary).

If you have a personal pension plan, the maximum payable varies with your age, from 17.5 per cent of your earnings until the age of 35, up to 40 per cent if you are between 61-74.

Binder Hamlyn reminds those paying retirement annuity premiums in 1991-92 who intend to set these against income for 1990-91, to do so as soon as possible.

■ **Banks and building societies:** Under new Inland Revenue rules, you no longer have to wait until the end of the tax year to claim repayment of tax deducted from interest on savings or share dividends. There are about 8m people eligible for repayment of tax.

■ **Home loan interest:** Husband and wife can choose which should receive tax relief on home loan interest, regardless of who pays the mortgage. Casson & Beckman says the election has to be made within 12 months after the tax year in question, so if you have not already lodged an election for 1990–91, do so before April 5.

■ **Company cars:** You need to have driven 2,500 business miles by the end of the tax year to avoid paying 50 per cent more tax on the perk.

■ **Parental gifts:** You can give a gift totalling £3,000 as a lump sum or split between your children in any tax year free of inheritance tax. Unused gift allowances from last year can be carried forward only if you have used up this year's £3,000 first. Only one year's exemption can be carried forward – after that it is lost.

■ **Charities:** Use the Gift Aid scheme to give £600 or more to charity by the end of the tax year. If you are a 40 per cent taxpayer, you can claim relief of £120 on £600. So, it will only cost you £480 net to give £800 because the charity can claim a further £200 of tax.

Choices for the Chancellor

FEBRUARY is the month for pre-Budget speculation. The Chancellor retreats into *purdah*, and everyone tries to guess what he will announce, writes Philip Coggan.

This year, if conventional wisdom is correct, then a March 10 Budget will be followed by an April 9 general election. In theory, that ought to mean a simple Budget since there will be hardly any time to pass complex legislation before Parliament.

In practice, however, the Budget is likely to be a glorified manifesto for the Conservatives' economic policies. And with the economy mired in the longest recession since the Second World War, and the Conservatives behind in some opinion polls, the pressure on the Chancellor is to make the Budget package as attractive as possible.

A Cabinet meeting this week is believed to have given the go-ahead to an expansionary Budget, involving a significant increase in public borrowing. Some analysts are now looking for a £4bn boost to the economy, instead of the £2bn earlier expected.

Much of the pre-Budget speculation has centred around two options. The belief is that either Norman Lamont will raise personal allowances by more than the rate of inflation, or cut basic rate income tax by 1p in the pound.

Often, however, Chancellors spring a surprise on the public. This grabs the headlines and has the effect of making the Budget seem *better* than expected. The game is to guess what the surprise might be.

Price Waterhouse, the accountancy group, suggests that the Chancellor might introduce a new, lower band of income tax at 20 per cent. This seems an astute suggestion: it would be of direct benefit to low earners, making it difficult for the Labour party to oppose; and it would also meet (albeit, at a pinch) one of the Conservatives' long term commitments. It would make great headlines in the tabloid press.

The main snag is that it would clash with another Conservative long term aim, that of simplifying the tax system. We would have three bands – 20, 25 and 40 per cent – instead of two.

Another reform which Price Waterhouse thinks is likely, and which has been hinted at by Tory politicians, is an increase in the inheritance tax threshold, from £140,000 to perhaps £500,000. While this hardly fits in with John Major's vision of a "classless society", it would appeal to some middle class voters. The housing boom of the 1980s has carried many into the inheritance tax bracket.

On the other hand, it would not be difficult for Labour to paint such a reform as an example of the government handing out tax privileges to the better-off.

Other suggestions from PW are that stamp duty on residential property purchases of up to £250,000 might be permanently abolished, and that personal tax allowances are transferable between husband and wife.

Among Ernst & Young's tips for the Budget are the possibility that stamp duty on share deals will be immediately abolished and that the holding period for TESSAs will be reduced.

However, the current pre-election limbo makes it doubly pointless for the investor to take action to anticipate these changes. Not only might these guesses prove inaccurate, but even if they were all correct, defeat for the Tories at the polls would mean Lamont's plans would never come to fruition.

Peps, BES, and market hype

THERE IS always a marketing blitz at the end of the tax year. This year the hype is more frantic, since financial services companies can raise the spectre of a tax-increasing Labour government, writes Scheherazade Daneshkhu.

Personal equity plans (Peps), which offer freedom from income and capital gains tax, are the product of the moment. The Labour party's statement that it has no plans to abolish them has been shrugged-off by the industry with the implicit comment: "You can't trust what these socialists say."

The best argument for tax planning is that Labour proposes to raise the top income tax rate to 50 per cent, and to impose a 9 per cent surcharge on investment income of more than £3,000 earned by non-pensioners.

It cannot be emphasised too often that the tax benefits of Peps are fragile. They can be wiped out easily by charges, especially if you are a basic-rate taxpayer (and less likely to pay more tax under Labour). They can be wiped out even more easily by a fall in the stock market – and a loss in a Pep cannot be offset against gain elsewhere. Buy a Pep in haste and you can repent at leisure.

That is not to say that Peps are not useful tools for those who are long-term (ie, at least five years) investors or have substantial portfolios. Something might be said for starting a Pep and holding the funds in cash, which you are allowed to do if you intend eventually to invest the funds in shares. You can move into shares once the election result is known.

But whichever Pep you choose, you should make sure that you know the charges, have decided whether you are investing for income or capital growth, and feel confident that you will sleep at night if your plan falls in value suddenly.

The Pep rules are over-complicated. You can place £3,000 in a unit or investment trust Pep, with two exceptions. If the trust has less than 50 per cent of its assets in the European Community, the limit is £1,500; if it is an investment trust new issue, the limit is £6,000.

Managed and self-select Peps, on offer from stockbrokers, also have a £6,000 limit. In the former, the broker selects the shares; in the latter, the investor does. In addition to any of these Peps, you can put a further £3,000 in a single company plan (see Page VI). All these limits apply to a tax year.

Another tax shelter is the Business Expansion Scheme, a form of venture capital. This, too, has been marketed hard as Labour has made clear it plans BES reforms.

The great advantage of a BES is that the total value of your investment is deducted from your total taxable income. If you are a 40 per cent taxpayer, you will receive a rebate of 40 per cent of the amount you invested. So, you part with only £24,000 to invest £40,000.

The maximum you can invest in BES companies during any tax year is £40,000, and you have to maintain that investment for five years to gain the tax benefits.

When the scheme started, it was seen as a means of promoting investments in young "entrepreneurial" industries, but the emphasis of the scheme was shifted in 1988 to residential property.

The least risky form of BES is the "buy back" scheme where a BES company buys accommodation on behalf of a third party – usually a college or a housing association – and receives a covenant to buy back the property at a fixed price after five years.

Provided the third party does not go bankrupt and can raise the money, risk is minimised. However, it is thought that the government could abolish this in the Budget because it is considered too generous a tax break for the benefit it delivers.

If you are happy with risks involved in this form of investment, and have not used up your full £40,000, you need to do so before the end of the tax year and preferably before the Budget. There are a spate of new schemes available (see Page IV) and many close by March 10. To invest, you must submit a BES3 form (sent to you by the company) to the Inland Revenue.

FINANCE AND THE FAMILY

A new code of conduct

IF YOU regularly become exasperated with your bank or building society because of poor service, you will soon be able to quote from their code of customer conduct to support your case.

Good Banking, the draft voluntary code for personal customers, prepared by banks and building societies working with consumers groups, appeared last December and comes into effect on March 16. Some banks will apply it directly. Others say they will issue their own codes or charters which go beyond it.

Lloyds Bank was the first institution to issue its code. It has now been followed by Bradford & Bingley Building Society, and TSB. Barclays, the largest UK bank, says it will be producing a leaflet on customer relations in the next fortnight. Midland says it will be producing a document fairly soon for its customers.

Not all the codes are entirely new. Bradford & Bingley has been issuing a booklet to its customers for several years, telling them of their rights.

Here are some key points to watch for when your bank or building society presents its code:

■ Charges: how transparent are they? Can you see in advance how much you will have to pay for using a bank's services? Better still, will it notify you in advance of what it is charging you? So far only TSB has promised to introduce pre-notification for customers.

■ Complaints: whom do you make them to? How swiftly will they be acted on? How many contact names and numbers are you given? Bradford & Bingley refers customers either to its branch manager or to the Controller of Secretarial Services in head office. Lloyds has a head office customer service unit which can be called at the local rate, and has installed telephone answering machines at all its branches.

■ Customer confidentiality: This was one of the main issues when the code was being discussed. The banks now all have the technology to build up a centralised database on their customers and use it to cross-sell financial services: for example, to target current account customers with insurance marketing.

The snag is that not only do many customers dislike being bombarded with sales material – it is questionable whether it is even legal for a bank to hold details of customers in this way unless they give their express consent. This should be clearly given at intervals, not just quietly extracted once through inertia selling techniques and then used for ever.

Lloyds is taking express consent very seriously. All its customers are being asked to return a signed form agreeing to allow the bank to give their details to other companies in the Lloyds group. A sweetener is on offer: £1,500 worth of free accidental death cover for three years, provided the customer stays with Lloyds.

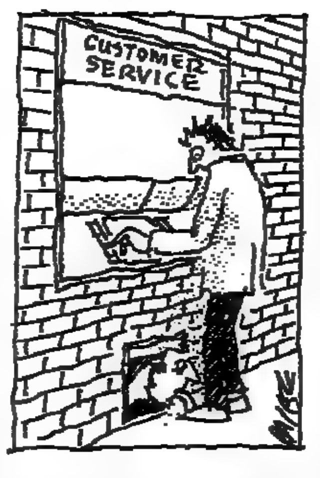
However, it is disappointing to see that Abbey National, the retail banking group, is sending some customers a letter offering no-cost cover of £1,000 with a clause in the small print on the application which allows Abbey National to disclose information to other companies in the group and use it for marketing.

Abbey National says it will change this wording after the code comes into force in March, and that information about customers is held with a central registry and not circulated to subsidiaries.

■ Lost and stolen cards: does the code make clear that unless you knowingly let someone else use your card and PIN number, your liability is limited to a maximum of £50?

Will the code change very much? Consumers' groups have already made some criticisms, but there are reasons for cautious optimism. One is that there is clear competition emerging, at least among some banks such as Bank of Scotland, TSB and Lloyds, to produce the best code. The other is that bank and building society customers are likely to be much more forceful in defending their rights now that they have clear definitions of them. Personal customer banking services should improve in the next few years as a result.

David Barchard



UNILEVER, the consumer products group, reports on Tuesday its figures for the fourth quarter and full year. With the US poised uncertainly between recession and recovery, the British economy in the doldrums and growth petering out in continental Europe, the results will depend heavily on the success of Unilever's continuing efforts to improve margins through cost-cutting.

Analysts' forecasts for full year pre-tax profits range from £1.8bn to £1.84bn, a modest increase on the £1.78bn earned in 1990. Much of the difference between the forecasts is due to assumptions about how Unilever will allocate extraordinary charges incurred during the year.

British Gas will report results for the 12 months to December 31 on Thursday. Because the company is this year changing its accounting year end from March 31 to December 31, it will also supply a figure for the nine months to December 31.

The Week Ahead

Most analysts expect profit before tax for the year to December to be between £1.24bn and £1.28bn. British Gas has already indicated it will announce a dividend for the full year of 6p.

UK insurers are bracing themselves to report some of the worst results in the history of the industry next week. Two composites (general and life companies) – Commercial Union and Royal Insurance – report next week. Both will post losses for 1991.

CU, which reports on Wednesday, will do best with a loss restricted to between £60m and £70m compared with a pre-tax profit of £1.4m last year. Royal Insurance, which reports on Thursday, has been devastated by losses from mortgage indemnity claims and could see its losses rise from £270m to £310m, up from £187m in 1990.

SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group, reports its full-year results on Tuesday. Analysts expect the company will for the first time make a £1bn profit compared with £880m last year

Analysts will be looking carefully at the growth rate of SmithKline's pharmaceuticals sales, which have been slower than some of its rivals. In particular, they will be looking carefully at revenues from Kytril, SmithKline's treatment for nausea in cancer patients. It competes directly with Glaxo's Zofran.

ICI, the chemicals giant, reports its full-year results on Thursday. The company is expected to announce pre-tax profits of about £835m. The figures are unlikely to demonstrate any sign of an upturn in demand for commodity chemical. Attention will be focused on the success at the pharmaceuticals division (about 70 per cent of the group's profit) and the progress of the company's rationalisation programme. The final dividend is expected to be maintained at 34p.

Another name for shelter

ANOTHER week, another acronym in the tax shelter market.

This week brought us HEDGE (Higher Education with Determined Growth & Exit), sponsored by Capital Ventures, and RAY (Residences At York), sponsored by Hodgson Martin.

Both are covenanted "buy-back" companies, which attempt to assure a return after five years by buying property for universities and then selling it back to them for a fixed price. HEDGE has buy-back agreements with the University College of North Wales, Bangor, and the University of Salford – at £1.38 for every £1 spent now. The rate on offer from RAY is only £1.28, but this is being funded out of fixed interest deposits bought by the University.

Two other companies, Sun Life BesRes VIII Phoenix and SERAH III make no attempt at a guarantee but will go "bargain-hunting" in search of high capital growth.

The most interesting launch is the Friendly Stop Inns series of 14 companies. This extends the "buy-back" principle to trading companies. It will buy small hotels for Friendly Hotels, and sell them back to Friendly after five years. Investors have a put option to sell the inns to Friendly at a price of £1.36 for every £1 spent now, after costs have been taken into account. There is no third party guarantor; the deal is dependent on Friendly, which has net assets of £73.5m and market capitalisation of £45m.

The Enterprise Zone market remains in the shadow of Canary Wharf, in London's Docklands. The Cabot Square Trust does not have the greatest yield, but does have strong financial security and populist marketing – you receive an invitation to go to the top of the Canary Wharf tower with every prospectus.

Laser Richmount this week fought back with a series of less glamorous but possibly higher-yielding EZ trusts. Its Chatham Trust will raise £16m for five office buildings, aiming for an 11 per cent initial post-tax yield. The Inverclyde Trust is raising £9.5m (yield 11.76 per cent after top rate tax), while the Dudley Trust is looking for £9.5m, offering a 13 per cent initial post tax yield.

John Authers

Recovery? When?

OF ALL the traps that lie in the path of the new investor the "recovery share" must surely by the most insidious. The pit is so perfectly camouflaged. This is not "speculation"; it is "investment": backing some solid famous company which has run into a bit of bad luck.

Consider, for instance, Sears, with a world-famous emporium in Oxford Street, half the shoe shops in England, not to mention shoe factories, men's wear, women's fashions, sports goods and buttressed by property. A veritable treasure chest. Surely the only direction now must be up.

Or look at that classic "recovery share", Chloride. Investors might not agree, but then they have been sitting at the convalescent's bedside for five yeas, watching the share price fall lower and lower. As for Sears' "recovery", the city editors of two leading Sunday newspapers in December 1985 placed it high among their selections for the coming year. It was then 104p and it is now around 105p – a recovery share on the way to becoming as permanent a feature of the scene as the Lutine bell at Lloyds.

The invisible factor in the recovery share trap is time, which almost always seems to be longer than expected.

It is true that these long lingering convalescences may often be broken by moments when the patient suddenly sits up in bed – before falling back exhausted on the pillow.

Ever buoyed by bid rumours, Sears did at one point reach 180p, and Chloride 100p (in 1987) before the relapse. Clearly, the successful investor needs to buy at precisely the moment recovery is imminent, prudently selling before the relapse. Not an easy trick.

It is important to inquire closely why the bargain basement share acquired the recovery tag in the first place. For the recovery share proper is not merely a cyclical share, but a share marked by misfortune. Some companies, like some human beings, become accident-prone.

Some companies, like humans, are accident-prone

A single *World in Action* TV programme, casting doubt on the durability of timber-frame houses wreaked enormous damage – with little real justification – on Barratt Developments in 1983/84. The shares dropped from 250p to 150p within two years. The curious, opulent convalescence of Sears owes much to the extraordinary and abundant diversity of the shipbuilding-to-shops to factories-to-property empire hurriedly amassed in the 1950s by the financier Charles Clore.

Chloride's perennial recovery status is rooted in the pioneering of the Chloride Electrical Storage Syndicate Ltd of 1891, and its failure to invest soon enough for changing times.

So, for these convalescents, the essential question for the recovery share addict must be: How long?

For recovery share addicts, reading the back issues of the financial press can be a salutary exercise. In the summer of 1990 an analyst of Salomon Brothers was recommending the purchase of the Dares Estates at 14p a share, because of its exceptionally high discount to asset values – a fact to gladden the recovery share addict's heart.

Alas, from confident talk of sums to come from rent reviews, the emphasis now changed to emergency sales, bank guarantees and, to quote Dares chairman – survival. The shares were 3p this month.

Hope, said Schopenhauer, the gloomy philosopher, is the "hook through the nose by which humanity is led".

Nevertheless, as the persistence of these things called "recovery shares" shows, the hook holds. Last November the brokers Wise Speke issued a buy note on Sears Holdings. There are now clear signs, it said, the share should now be viewed as a quality recovery stock, but the shares do not as yet carry a recovery rating. It could be right. Who knows?

Harry Hopkins

Directors' Transactions

IN THE run-up to the UK general election, there has been continued selling by directors and a diminished amount of buying activity.

Two of the largest sales of the week in fact signal strong performances. The Airtours share price has increased sevenfold over the past year and so the sale of a relatively small proportion of four directors' stock at 250p is seen as a measure to improve marketability and in order to realise profits. Seton Healthcare's share price has more than doubled over the past year and the sale by four directors at 302p is intended to release stock.

Danka Business Systems, suppliers of office equipment in the US, has been performing strongly in an uncertain market. Directors' confidence is evident from their recent purchase of 410,000 shares at 161.5p

Directors at Harland Simon, the electronics company, have sold significant quantities of stock over the course of last year at prices as high at 700p. Last week the company issued a profits warning, since when the shares have fallen sharply. Soon after the statement two directors purchased stock at 260p, but these purchases still only account for a small proportion of the sales made during 1991. The share price currently stands at 173p.

■ As an aid to readers, we are adding the sectors of the companies featured from this week. BdMa = Building Materials; BSer = Business Services; Brew = Brewers & Distillers; C&C = Contracting & Construction; Elns = Electronics; Eng = Engineering, General. FdMa = Food Manufacturing; FdRe = Food Retailing; H&L = Hotels and Leisure; Hlth = Health & Household; Med = Media; Misc = Miscellaneous; O&G = Oil & Gas; OthF = Other financial; Pack = Packaging & Paper; Stor = Stores.

Angus MacDonald, Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Airtours	H&L	1,068,000	2,665	4
Airtours (Warrants)	H&L	3,455,600	6,946	4
Bullough	Eng	31,740	47	1
Clark (Matthew)	Brew	42,500	173	1
Haemocell	Hlth	72,000	101	1
Hoskyns	Elns	100,000	410	1
MacFarlane	Pack	25,000	45	1
Marks & Spencer	Stor	37,426	116	1*
Mercury Asset Mngmt	OthF	27,180	96	1
N'mbrian Fine Food	FdMa	50,000	18	1
Radio Clyde	Med	128,755	408	1
Rolfe & Nolan	BSer	13,000	25	1
Rothmans Intl "B"	Misc	150,000	1,624	1*
Seton Healthcare	Hlth	538,000	1,619	4
Syltone	Eng	5,000	12	1
United Drugs	Hlth	16,260	30	1
Wilson Connolly	C&C	749,800	1,379	1
PURCHASES				
Danka Busnss System	Misc	410,000	662	4
Grt West Resources	O&G	1,050,000	85	2
Harland Simon	Elns	41,000	106	2
Merchant Retail	FdRe	200,000	32	1
Rothmans Intl "B"	Misc	25,000	270	1
Sharpe & Fisher	BdMa	25,000	18	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 10-14 February 1992.

Source: Directus Ltd, Edinburgh

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
AmBrit	9	9	8	5.91	United Energy
Marina Devs.	180*§	175	98	31.22	Yattendon Inv.
Pickwick Grp.	242	237	173	64.92	Carlton Comm.
Polymark Intl	37*	36	34	4.33	Polyfinance
Do. Pfd. A	184½*	183	131	5.08	Polyfinance
Robinson (Thos)	27	27	12½†	42.84	BM Group
Steetley	391	373	274	611.05	Redland
Taveners	165*	160	130	4.77	Tams Fabrikker
Thornton (G.W.)	200††	198	203	13.26	Bromsgrove Inds
Trevian Hldgs	45*§	45	40	2.87◆	Frogmore Ests
Wilkes (J.)	173	171	177	30.50	Petrocon

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 21/2/92. †At suspension. §§Shares and Cash. ◆ For 65% not already owned.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Divs* per share (p)	
Anglo & Overseas	Dec	7,350#	(7,650#)	5.36	(5.64)	5.45	(5.15)
Benson's Crisps	Nov	1,000	(1,360)	9.6	(12.5)	2.85	(2.75)
Bradford & Bingley	Dec	107,800	(100,700)	-	(-)	-	(-)
British Aerospace	Dec	81,000 L	(376,000)	-	(91.4)	25.0	(25.0)
City Merchants' Yield	Dec	630†	(-)	3.37	(-)	3.25	(-)
El Oro Mining	Dec	1,970	(2,500)	30.4	(37.7)	24.0	(24.0)
Exploration Company	Dec	2,470	(3,180)	14.15	(18.25)	12.0	(12.0)
Fairway (London)	Dec	1,770	(1,050)	5.14	(4.17)	3.15	(3.0)
Gartmore Emerging	Dec	423	(187)	-	(-)	0.23	(0.1)
Headline Book Publishn	Dec	1,300	(637)	9.0	(6.9)	3.0	(-)
Leslie Wise Group	Nov	2,660	(4,970)	5.5	(9.96)	4.0	(4.0)
Lloyds Abbey Life	Dec	305,500	(318,900)	32.0	(30.9)	17.3	(17.0)
Newmarket Venture	Dec	776 L	(1,250 L)	-	(-)	-	(-)
Owners Abroad Group	Dec	31,600	(15,300)	12.6	[illegible]	3.2	(2.9)
Porvair	Nov	1,660	(1,510)	10.9	(11.6)	3.3	(3.0)
Provident Financial	Dec	34,100	(36,100)	46.6	(48.05)	25.0	(23.5)
River & Mercantile	Dec	6,910#	(6,650#)	8.81	[illegible]	8.45	[illegible]
Rover Group	Dec	83,000	(103,000)	-	(-)	-	(-)
Scottish Eastern	Jan	8,940‡	(8,930‡)	1.41	(1.41)	1.42	(1.35)
Shell T&T	Dec	5.44bn§	(7.89bn§)	24.9	(39.6)	20.9	(30.1)
Smaller Companies Inv	Dec	404#	(118#)	2.7	(0.77)	2.6	(0.7)
Southdown Build Soc	Dec	9,600 L	(-)	-	(-)	-	(-)
Temple Bar Inv Tst	Dec	8,230#	(8,230#)	14.29	(14.29)	13.0	(11.5)
Throgmorton Trust	Nov	7,440#	(7,510#)	2.63	(2.66)	2.5	(2.15)
TR Pacific Inv Tst	Dec	896#	(354#)	1.04	(0.53)	0.7	(0.25)
Union Discount	Dec	23,600 L	(7,800)	-	(57.02)	13.5	(35.0)
Unipart	Dec	15,400	(13,100)	-	(-)	-	(-)
Virgin Atlantic	Dec	9,000 L	(-)	-	(-)	-	(-)
Ward Holdings	Oct	14,000 L	(3,930)	-	(4.7)	0.5	(2.6)
Yorkshire Chemicals	Dec	11,000	(10,800)	40.1	(37.6)	14.5	(13.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alumasc Group	Dec	3,650	(2,770)	3.55	(3.3)
Ardagh	Dec§	2,100	(2,350)	0.72	(0.72)
Ashtead Group	Oct	1,500	(2,500)	1.1	(1.1)
Colorgen	Dec©	83	(332 L)	-	(-)
CountyGlen	Oct§	153 L	(49 L)	-	(-)
Dalgety	Dec	53,800	(51,700)	7.5	(7.15)
ECU Trust	Dec#	96#	(372#)	-	(-)
FII Group	Nov	3,200	(3,700)	5.5	(5.0)
Fleming Enterprise	Dec	1,120#	(1,160#)	1.3	(1.2)
Glaxo Holdings	Dec	709,000	(623,000)	6.0	(4.25)
GR Holdings	Dec	414	(762)	0.4	(0.4)
GT Venture Invest.	Dec	371	(346)	-	(-)
Howard Holdings	Oct	211 L	(155)	-	(-)
Jos Holdings	Jan	185#	(225#)	1.75	(1.125)
New Zealand Inv Tst	Oct●	62#	(94#)	0.5	(0.75)
Norex	Dec	2,520	(3,660)	-	(-)
Primadona	Dec	87#	(222#)	2.0	(2.0)
Second Alliance Tst	Jan	3,420‡	(3,420‡)	12.0	(11.5)
SWP Group	Dec	31	(520)	-	(-)
Wills Group	Dec	154	(568 L)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. # = Net revenue. † = Gross income. ‡ = Attributable revenue. § = Figures quoted in Irish pounds & pence. ● = Figures for three months. © = Figures quoted in US dollars. ¶ = Income before taxation.

RIGHTS ISSUES

Beepak is to raise £26.5m via a 3-for-8 rights issue at 410p.
Porvair is to raise £3.3m via a 1-for-4 rights issue at 115p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Headlam Group is to raise £8.1m via a 7-for-8 placing at 58p.

RESULTS DUE

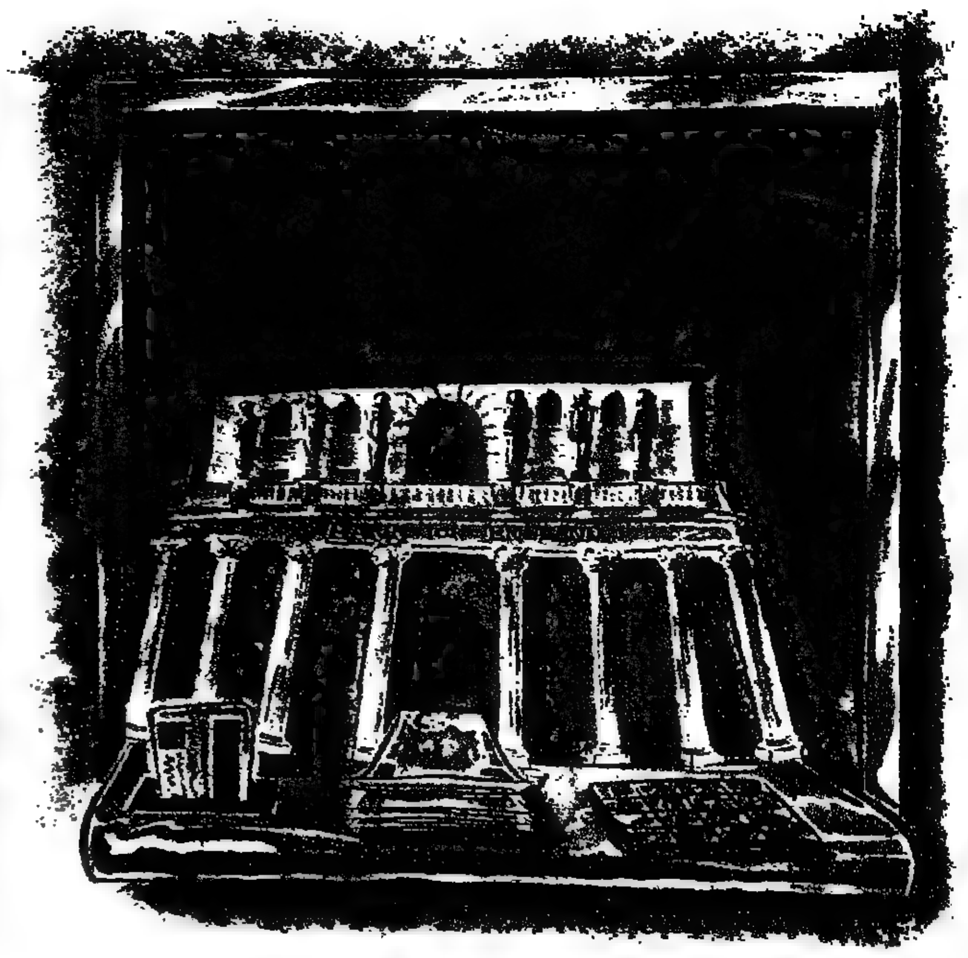
Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Barclays	Wednesday	8.15	12.0	8.15
Berkeley Govett	Monday	7.0	12.0	8.5
British Gas	Thursday	3.75	8.75	4.25
Capita Group	Monday	1.5	3.0	1.8
Capital & Counties	Friday	8.0	7.2	8.0
Chisholm Group	Wednesday	1.9	2.7	1.9
Cluff Resources	Thursday	-	1.0	-
Commercial Union	Wednesday	9.0	14.0	9.25
County Smaller Co's Inv Tst	Thursday	-	-	-
Courtaulds Textiles	Thursday	4.0	8.4	4.2
Creston Lodge & Knight	Friday	-	-	-
Dunedin Income Growth Inv Tst	Wednesday	8.0	10.0	8.4
Foreign & Colonial Inv Tst	Thursday	1.0	1.9	1.05
Foster (John) & Son	Friday	-	0.5	-
Grafton Group	Wednesday	2.5	3.5	2.5
Green Property	Thursday	1.2	2.3	1.2
Grosvenor Development Capital	Wednesday	-	1.25	-
Hewitt Group	Monday	1.0	1.5	1.0
ICI	Thursday	21.0	34.0	21.0
Kalon Group	Tuesday	0.5	1.0	0.7
Kleen-e-ze Holdings	Thursday	-	-	-
Kleinwort Benson Group	Wednesday	5.3	10.7	5.3
London Forfaiting Company	Tuesday	2.62	4.62	2.62
Low & Bonar	Monday	2.7	5.4	2.7
McAlpine (Alfred)	Thursday	4.6	5.6	4.6
Medeva	Tuesday	-	0.75	0.5
Mersey Docks & Harbour	Tuesday	1.7	3.3	2.0
Midland Bank	Thursday	7.3	1.7	1.7
Murray International Tst	Thursday	2.8	2.8	2.5
Royal Insurance	Thursday	11.25	14.75	11.25
Sedgwick Group	Tuesday	4.0	8.0	4.0
SmithKline Beecham	Tuesday	3.4	3.8	3.75
TR High Income Tst	Tuesday	1.0	1.4	-
Unilever	Tuesday	4.86	19.5	5.05
Vickers	Monday	3.7	6.2	3.7
Williams Holdings	Thursday	4.75	7.25	5.0
INTERIM DIVIDENDS				
Arcadian International	Friday	-	-	-
Bellwinch	Thursday	-	-	-
British Assets Trust	Thursday‡	1.0	1.04	-
Butte Mining	Wednesday	-	-	-
Eleco Holdings	Thursday	2.3	2.3	-
Goodwin	Friday	-	0.63	-
Hong Kong Investment	Friday	-	-	-
Isotron	Thursday	1.25	2.34	-
JF Pacific Warrant Company	Tuesday	-	-	-
JF Philippine Fund	Thursday	-	-	-
Macro 4	Thursday	3.82	7.17	-
Minerals Oils & Resources	Friday	-	-	-
Murray Income Tst	Tuesday	2.1	3.6	-
River & Merc Smaller Co's	Tuesday	1.25	2.57	-
Scottish Investment Tst	Thursday‡	1.5	2.9	-
Smith New Court	Friday	0.5	3.0	1.0
TR European Growth Tst	Tuesday	-	-	-
Waterman Partnership	Friday	1.0	1.0	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ‡ = 1st quarter figures.

FINANCE AND THE FAMILY

How to . . . invest in government bonds

Gilts exert a fresh attraction



THE PRIVATE investor is being lured back into gilts. The attraction of these bonds, issued by the UK government, is their absolute security. Not only can the investor be certain that gilts will be repaid, he knows when and at what price.

The returns available at the moment are between 9 and 9.7 per cent, higher than that available from some building society accounts and well above the rate of inflation. Some believe that the 1990s will be a period of low inflation and interest rates, in which case the present returns on gilts may, in retrospect, seem highly attractive.

Of course, there are risks. It might seem foolish to buy gilts ahead of a general election which could result in a Labour victory and consequent falls in gilt prices. Even if the Conservatives win, the government's budget deficit is growing and it will have to issue many more gilts to finance that deficit.

In addition, anyone buying gilts should be committed to holding them long-term. Those *who are forced to sell their* holdings in the short term may not get their capital back.

Having considered the risks, though, how does the investor who still wants to buy gilts actually build a portfolio? These are the factors you have to consider.

■ **Interest rate**

All gilts have a "coupon," an interest rate which they will pay based on a percentage of the face (par) value. But, in practical terms, this coupon is unimportant to the investor since gilts rarely trade at exactly their face value. What actually matters is the yield, which is expressed in two ways.

The *running yield* is the interest return which the investor will receive each year, expressed as a percentage of the price paid. So, an investor who buys a gilt with a coupon of 12 per cent at a price of 120 will get a running yield of 10 per cent.

But since gilts have a par value of 100, someone who buys a gilt at 120 will face a capital loss. The expression for this is the *gross redemption yield*. If the gilt is trading above par value, the running yield will be higher than the gross redemption yield and vice versa.

The Exchequer 12¼ per cent 1999, *for example, was trading* on Tuesday at 113¾, on a running yield of 10.75 per cent and a gross redemption yield of 9.5 per cent. The 8 per cent 2009, priced at 90⅜, offered a running yield of 8.84 per cent and a gross redemption yield of 9.1 per cent.

■ **Price**

The par value of gilts is 100. Thus, an investor who buys a gilt priced below 100 can lock-in to a tax-free capital gain if he holds the stock until maturity. The snag is that very few gilts are trading below par value at the moment. Most of those which are have maturity dates of over 15 years.

Buying a gilt which is trading above par value brings the investor a higher running yield, but at the expense of a capital loss. Take the 15½ per cent 1998 gilt which, at Tuesday's close, was trading at 128⅜. The running yield was a very healthy 12.08 per cent, but the investor who held it to maturity would lose more than a fifth of his capital. By contrast, the 8¾ per cent 1997 gilt was trading at 97⅝, offering the prospect of a modest capital yield. But the running yield was a much lower 8.96 per cent.

■ **Maturity date**

Nearly all gilts have a set date on which they will be repaid. These so-called maturity dates range, on conventional gilts, from later this year to 2017. Selecting a gilt with a long maturity date means that the investor has locked-in his chosen interest rate for a longer period.

The snag, however, is that the possible impact of inflation is much greater. If inflation averages 5 per cent a year, then the real value of a gilt which matures in 2007 will have halved by the time it is repaid.

A gilt with a short maturity date is much less prone to inflation. However, when it is repaid, the investor is exposed to "re-investment risk." He cannot know what rate he will receive when he re-invests the proceeds of the matured gilt. The consensus wisdom, therefore, is that it is best for investors to select a range of maturity dates.

■ **Tax**

Gilts are likely to be most suitable for those in the basic-rate tax bracket who want a secure income. If you are a higher-rate taxpayer, and do not need income, then National Savings certificates are likely to offer better value; the equivalent gross return for a top-rate taxpayer on the 36th issue is 14.17 per cent.

An alternative investment for a top-rate taxpayer is index-linked gilts, where much of the return comes in the form of tax-free capital gain.

Peter Jones, of stockbroker Greenwell Montagu, has suggested a portfolio of gilts for those who want a monthly income (see table). Since they pay dividends twice a year, a minimum of six gilts is needed to achieve this aim. Jones has aimed for gilts which are trading at around par (based on prices prevailing earlier this week) and has concentrated on large marketable issues.

Philip Coggan

Portfolio for monthly income

Date of payments	Stock	Approx price	Approx cost incl expenses*
Jan/Jul	Tr 9½% 1999	101⅛	10,250
Feb/Aug	Tr 9¾% 2002	103	10,400
Mar/Sep	Tr 8¾% 1997	97¾	9,900
Apr/Oct	Conv 9¼% 2004	101½	10,250
May/Nov	Tr 9% 1994	99¼	10,050
Jun/Dec	Tr 10% 1994	101¼	10,250
Total			61,100

* Of £10,000 nominal. Mean term: around 7 years. Average income 9¼% gross. Source: Greenwell Montagu.

Looking good

COUNTY NatWest WoodMac has published its investment trust review of 1991 which takes a fairly upbeat view of the prospects for the sector.

The authors are bullish about UK equities while yields are at 5 per cent. A long period *of low inflation would, while* being good for gilts, be even better for equities.

CNWM feels that Labour is more likely to win the election. If this happens, it recommends overseas trusts, capital growth trusts, large trusts heavy in blue chips, high-income specialists and the more risk-oriented securities of split capital trusts.

If the Conservatives win, CNWM particularly recommends high-income trusts, income-growth trusts and zero-dividend preference shares.

Another sector which CNWM thinks is worthy of attention is venture capital. This sector has been hit by bad news at particular trusts, *such as Ensign and Gresham* House. Discounts have widened and this may offer scope for bargain-hunting.

However, the authors stress that "in seeking to capitalise on a recovery in these stocks, selectivity must be the key." They add: "There may be diamonds among the dross but there is also dross among the diamonds."

P.C

FINANCE AND THE FAMILY

The pick of single company Peps

***Scheherazade Daneshkhu** looks at the risks and rewards of holding a personal equity plan in one company*

SINGLE company personal equity plans have been highly popular since their launch on January 1. CC&P Trustees, a division of Bacon & Woodrow, is plan manager for 55 company schemes and reports £60m-65m invested this year in both single company and old-style corporate Peps.

Investors can place up to £3,000 of one company's shares in a single company plan, in addition to the £6,000 Pep which they may have taken out already in the tax year.

Returns are free of capital gains and income tax, as with other Peps.

Many employees will find a single company Pep a useful means of holding shares acquired through an Inland Revenue approved all-employee scheme.

By transferring shares into a single company Pep within 90 days of acquisition, the employee can avoid capital gains tax.

For non-employee investors, though, the drawback of the new Pep is the fact that an equity-based investment is being limited to the shares of one company. But the golden rule is that risk is minimised by a wide spread of holdings.

This makes single company PEPs most suitable for those investors who have a diversified portfolio already. But which single company should they choose?

We asked a number of stockbrokers for their tips, with two types of investor in mind. The first is someone who is taking out the Pep primarily as a means of reducing his capital gains tax bill.

The other is one who does not normally pay CGT and is, therefore, looking primarily to benefit from the Pep's exemption from income tax. In essence, the division is between growth and income.

GROWTH

Mark Powell, of Laurence Keen, chose Marks & Spencer as a suitable stock for someone interested in growth. The company showed 4 per cent growth in earnings last year and Powell expects profit to rise from £620m to £640m in the year to March, with another 15 per cent increase to £730m next year.

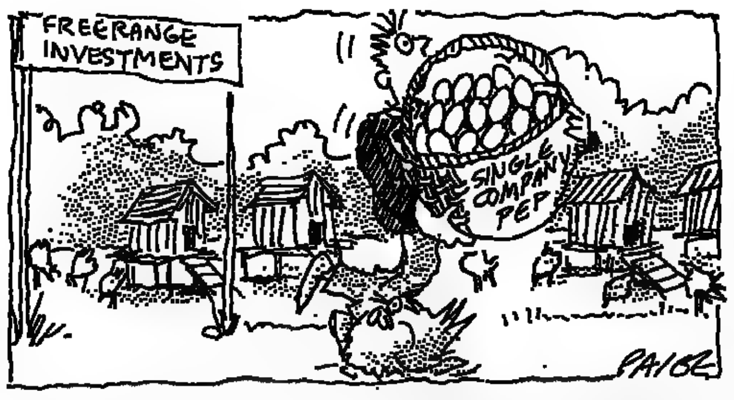
"The shares are never statistically very cheap but, on a prospective price/earnings ratio for the year to March 1993 of just over 17.5, they seem to me to be an excellent three-year holding," he said.

Paul Killik, of Killik & Co., decided to play safe by choosing "sound companies with some diversification of interests."

He picked Unilever as his growth stock but does not expect more than a small improvement in profits and earnings from the annual results due next week.

"However, the attraction lies in the medium to longer term opportunities of the Single European Market," said Killik. "Among the larger companies, none is better placed to take advantage of the removal of trade barriers in Europe."

Unilever was also the choice of stockbroker Greig Middleton as "a quality stock which is relatively recession-proof." But the firm's Brian Tora selected BOC as a company likely "to offer sound value and operating in industries which, while not recession-proof, should hold up well under current difficult trading conditions."



Tora added: "The long-term basis of many of its gas supply contracts will help and the management is well regarded."

Andrew Norman-Butler, of Gerrard Vivian Gray, recommended Smithkline Beecham "A" shares, at 987p for capital growth. "Despite the outperformance of the health and household sector, we feel the shares still have the potential for a major re-rating once the outlook for their new-product launches is recognised," he said.

INCOME

Higher-income seekers should think of buying into Redland, the building materials group, according to Laurence Keen's Powell. He predicts that last year's profit will have fallen from £245m to £185m but adds: "Redland is financially very strong, and the depressed state of many of the markets in which it operates seems likely to provide acquisition opportunities."

Redland is in the process of bidding for Steetley, a large British brick and clay tile manufacturer. Redland shares are now around 475p and the yield is 7 per cent.

Killik's choice for income is BAT industries at 660p. He expects the final dividend to be around 22p net of tax (29.3p gross in a Pep), a yield of 4.4 per cent on its own.

"For the 1992 year, expectations are for about 36p in total, a gross yield of 7.2 per cent," said Killik.

Although the price of its shares have been depressed by heavy losses at its insurance subsidiary, Eagle Star, Killik believes the worst is over.

"The company is a fine cash generator in these uncertain times, which gives confidence that it will be able to continue its progressive dividend policy."

The tip from Greig Middleton's Tora is P&O. "I am not certain that my colleagues would agree that it is suitable for a Pep but, with its double-digit yield, this could be a rewarding share to hold – although it is high risk, given that things could go wrong."

Gerrard Vivian Gray's Norman-Butler picks Prudential which, at 232p, is yielding 5.9 per cent. "Prudential has a record of dividend growth which we expect to continue at around 10 per cent per annum. Rationalisation and general cost-cutting should help recovery prospects," he said.

Investors should think long and hard before deciding to open a single company Pep.

Like all equity-based investments, it should be regarded as a long-term commitment. If the shares of the single company hit the floor, losses cannot be offset against gains elsewhere for CGT purposes.

Both Killik and Tora advise investors not to go for the single company Pep unless they already have a general Pep.

Now that the Labour party has stated that it will not be abolishing Peps, investors need not be rushed into choosing.

Loss adjusters pursue jobless

GENERAL ACCIDENT is sending loss adjusters to those receiving payouts from unemployment insurance policies, following a doubling in claims. And the company is stopping payments if policyholders do not immediately agree to a visit.

The Association of British Insurers said the use of outside loss adjusters on unemployment claims was very unusual.

The Bradford branch of GA, which mainly handles policies sold through building societies, is believed to have sent loss adjusters out to nearly 300 redundancy claimants in the last month.

Among those approached was a computer systems analyst made redundant in November 1990. At the beginning of 1990, he took out a GA accident, sickness and redundancy policy through Abbey National. The policy covered up to 24 monthly payments of £1,500 to meet mortgage instalments, plus the maximum 50 per cent margin allowed for other bills.

Payments under the policy began five months after he was made redundant. Last week, a representative of the loss-adjusting company, Thomas Howell, telephoned the analyst saying it had been appointed by General Accident and asking to interview him at home.

"He mentioned a questionnaire but would not say what was in it, so I said I was not prepared to talk to him and would contact GA."

He wrote to GA, asking if there had been a mistake, and pointing out that he had stuck to the policy terms by sending in a DSS certificate of unemployment each month and did not recall having agreed to visits by loss adjusters.

On Tuesday a letter from GA acknowledged the latest unemployment certificate but noted that the analyst had declined a visit from Thomas Howell.

"We would advise you that until we receive a report from the Thomas Howell Group we are unable to release any further payments under this scheme," wrote Sue Bramley of GA. "This is a relatively new scheme that has been adopted by the GA with regard to accident, sickness and unemployment to give us a better overall view of the various claims."

At General Accident's Perth head office, creditor insurance manager Jim Hunter said: "We are certainly within our rights," citing a clause in the policy "the insurer shall be entitled to make inquiry of the insured borrower's immediate past employer or otherwise as deemed necessary."

He said that these last five words alone, authorised the company to send in loss adjusters at any time.

GA claims manager John Fleming said the questionnaire's purpose was to ensure that people were seeking work but not working and claiming at the same time.

He defended immediate stoppage of payments if loss adjusters were not admitted: "Why should we continue to pay if someone is clearly not prepared to provide information? It is the right of every insurance company to conduct whatever inquiries they need."

Barbara Ellis

Your CGT allowances

THE TABLE shows capital gains tax allowances for assets sold in January. To use it, multiply the original cost of the assets by the figure shown for the month in which you bought them. If you subtract the result from the proceeds of your sale, the difference will be your taxable gain or loss.

Suppose that you bought shares for £6,000 in August 1986 and sold them in January 1992 for £13,000. Multiplying the original cost by the August 1986 figure of 1.386 gives a total of £8,316.

Subtracting that from the proceeds of £13,000 gives a gain for tax purposes of £4,684 - below the annual £5,500 CGT allowance. If you realised no other gains during the year, the profit should be tax-free. If you are selling shares bought before April 6, 1982, use the March 1982 figure.

Capital gains tax allowances: January

	1982	1983	1984	1985	1986
Jan	–	1.641	1.581	1.407	1.409
Feb	–	1.634	1.555	1.475	1.404
Mar	1.707	1.631	1.550	1.461	1.402
Apr	1.673	1.609	1.530	1.431	1.388
May	1.661	1.602	1.524	1.424	1.386
Jun	1.657	1.598	1.520	1.421	1.387
Jul	1.656	1.590	1.522	1.424	1.391
Aug	1.656	1.583	1.508	1.420	1.386
Sep	1.657	1.576	1.505	1.421	1.379
Oct	1.649	1.570	1.498	1.419	1.377
Nov	1.640	1.565	1.491	1.414	1.366
Dec	1.643	1.561	1.492	1.412	1.361
	1987	1988	1989	1990	1991
Jan	1.356	1.313	1.222	1.135	1.041
Feb	1.351	1.308	1.213	1.128	1.036
Mar	1.349	1.303	1.207	1.117	1.032
Apr	1.332	1.282	1.186	1.084	1.019
May	1.331	1.277	1.179	1.074	1.016
Jun	1.331	1.272	1.175	1.070	1.011
Jul	1.332	1.271	1.174	1.069	1.013
Aug	1.328	1.257	1.171	1.059	1.011
Sep	1.324	1.251	1.163	1.049	1.007
Oct	1.318	1.238	1.154	1.041	1.004
Nov	1.311	1.233	1.144	1.043	1.000
Dec	1.313	1.229	1.141	1.044	1.000

Source: Inland Revenue

Casebook/Philip Coggan

SECURITY is one of the main selling points of with-profits life policies. Bonuses credited cannot be withdrawn and policies are thus supposed to be much less volatile than alternatives such as unit trusts.

Try telling that to Joshua Martin, who has a 10-year policy with Clerical Medical, maturing soon. Late in 1990, Martin, who had been contributing a gross £500 per year, asked for a quotation of his policy's maturity value.

Clerical Medical wrote on November 11, 1990, giving an estimated maturity value of £11,380. Since that date, share prices, as represented by the FT-A All-Share index, has risen by more than 20 per cent. So, you might think that Martin's policy has increased in value since the estimate was made.

Wrong. The actual maturity value is set to be £9,799.

How did this occur? Clerical Medical says two factors explain the shift. The first is that its quotation was based on previous terminal bonus payouts. At the time the quotation was given to Martin, terminal bonuses were still healthy, reflecting the strong performance of 1980s stock markets.

Since then, it has become clear to many life companies that the investment returns that were available in the period 1975-87 will not persist. Terminal bonuses have been cut, particularly on shorter-term policies such as Martin's.

The second factor is a shift in Clerical Medical policies started after 1981. The final value of policies started after that date contained a much lower proportion as terminal bonus.

The combined effect is that the terminal bonus, quoted at £4,260 in November 1990, will actually be less than £2,700.

What is puzzling is that the Gulf crisis-related fall in stock markets occurred before the quotation was given. The change in the relative importance of the terminal bonus would also have been known at that time.

Admittedly, Clerical Medical's quotation did say: "The benefits actually payable may be higher or lower than illustrated." And the company now has shifted its policy so that it bases its quotations on likely future terminal bonuses rather than what it paid in the past.

But Martin's case has two lessons. The value of a life policy can depend greatly on a terminal bonus that might be affected by short-term investment factors. And forecasts of maturity values must be treated with extreme caution.

BEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Southdown BS	SuperSaver	0273 471671	Instant	£1	9.70%	Yly
Norwich & Peterborough BS	Postmaster	0733 371371	Instant	£1,000	11.30%	Yly
Northern Rock BS	Postal Acc	091 285 7191	Instant	£20,000	11.50%	Yly
Allied Trust Bank	2 Mth Notice	071 626 0879	2 Month	£2,001	11.46%	Yly
Birmingham Midshires BS	First Class	0902 710710	90 Day	100,000	11.70%	Yly
Heart of England BS	Election Bond	0926 405488	Elec Day	£5,000	12.00%	OM
Skipton BS	Money Market Plus	0756 700500	31.12.92	£2,500	11.69%	OM
Nationwide BS	Capital Bond	0793 694465	2 Year	£10,000	12.30%	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	13.24%	Yly
National Counties BS		0372 742211	5 Year	£3,000	12.50%	Yly
Stroud & Swindon BS		0453 757011	5 Year	£100	12.50%	Yly
Exeter Bank		0392 50635	5 Year	£250	12.00%	Qly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	10.00%	Yly
UDT	Capital Plus	0734 560 411	Instant	£1,000	9.90%	Qly
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000	10.00%	Yly
				£25,000	10.50%	Yly
Portman BS	Prestige Cheque	0800 378176	Instant	£50,000	11.50%	Yly
OFFSHORE ACCOUNTS (Gross)						
Portman Channel Islands	Channel Isls Acc	0481 822747	Instant	£500	10.20%	Yly
Co-operative	Investment 90	0481 710527	90 Day	£50,000	10.75%	½Yly
Yorkshire BS Guernsey	Key Extra	0481 719898	180 Day	£25,000	10.85%	Yly
				£50,000	11.35%	Yly
Bristol & West Intl Ltd	Intl Bond II	0481 720609	30.11.92	£50,000	12.50%	OM
GUARANTEED INCOME BONDS (Net)						
Prosperity Life FN		0800 521546	1 Year	£25,000	8.70%	Yly
Financial Assurance FN		081 367 6000	2 Year	£5,000	8.85%	Yly
Financial Assurance FN		081 367 6000	3 Year	£5,000	8.85%	Yly
Liberty Life FN		081 440 8210	4 Year	£25,000	9.10%	Yly
Aetna FN		0800 010575	5 Year	£25,000	9.00%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	9.50%	Yly
	Income Bonds		3 Month	£2,000	10.25%	Mly
	Capital Bonds C		5 Year	£100	11.50%	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	36th Issue		5 Year	£25	8.50%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond F		5 Year	£25	11.84%	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross.
Fixed= Fixed Rate (All other rates are variable) OM= Interest paid on maturity. N= Net Rate. B= Bond.
Source: Moneyfacts, The Monthly Guide to Investment and Mortgage Rates, Walsham House, Stalham, Norwich.

FINANCE AND THE FAMILY

Hidden costs that can make life policies so expensive

***John Authers** on figures of crucial importance for policyholders*

LIFE IS an expensive business. The figures below show, in detail never before exposed, the expenses with-profits life offices incur for each new policy that is started, calculated as a proportion of the first year's premiums.

The statistics are derived from returns filed with the Department of Trade and Industry by the life companies themselves. As ever with the labyrinthine world of life insurance, the figures are not as simple as they seem. Not all of these costs are passed *directly* to the policyholder.

But these figures give consumers crucial information on their policies. They cannot know what the investment return will be – but costs can, and should, be grounds for judging an investment.

At the moment, sales of endowments, which often are tied to mortgages, seem to be driven by commissions. These commissions might damage the sales of life products, if they were known, publicised and understood.

■ **What do these figures mean?**

The Initial Expense Ratio expresses, as a proportion of the first year's premiums, the amount an office spends on starting-up a policy. One actuary described this as the "price tag" of an endowment policy.

In general, commission payments to intermediaries take the biggest chunk. This might explain why the one company listed in the DTI returns which pays no commission whatever – Equitable Life – also has easily the lowest expenses.

The cost of administration is the other factor in play. Some selling operations are more costly than others. TSB Life, which attempts to sell only to customers of the TSB bank and restricts itself to a narrow product range, is unlikely to incur the same costs as a larger company with a hungry sales force roaming the country in search of clients.

The renewal ratio is a measure of the running costs of the policy compared with the annual premiums.

■ **How are these charges passed on to you?**

This varies according to the ownership of the life company. Some are "proprietorial," which means they have a single proprietor, usually a publicly-quoted company. Costs can be borne by the shareholders *as well as by both new and exisitng policyholders.*

"Mutual" offices are owned by the with-profits policyholders. So, theoretically, policyholders share in all the profits made and all the costs incurred by the office. If expenses are particularly high in one year, they can be absorbed by the life fund's reserves. They might not eat directly into the initial expenses of that year's policyholders.

But they drag on overall returns and the practice, cannot continue indefinitely. Roman Cizdyn, analyst at Smith New Court, points out the bottom line: "The lower the ratio, the better the value for the customers, the shareholders, and future generations of policyholders."

■ **Which policies are covered by these figures?**

Only with-profits offices are included. Companies offering only unit-linked contracts, are not included.

The impact of costs differs between unit-linked and with-profits policies. As Icki Iqbal, chief actuary at Royal Life, says: "On the unit-linked side, we price charges assuming a certain level of sales."

"On the with-profits side, the policyholders are co-owners of the business. They get 90 per cent of the profits or 90 per cent of the loss."

■ **What do the companies say?**

Iqbal explained the sharp increase in Royal's expense ratio by saying that the company had made hefty new investment to cope with the Financial Services Act. Because sales had not come up to predictions, the company had embarked on swingeing cuts of £25m in expenses. These were already two-thirds complete, he said.

John Turton, a spokesman for Provident Life, which emerged with one of the highest expense ratios, accepted the figures but said that the company's high costs would not be borne by policyholders.

Costs were high because the company was in the process of an expensive reorganisation, he said. Its parent, Winterthur, is funding expansion, which has involved buying new offices and investing around £8m in computers.

The figures are ironic as around half of Provident Life's business comes from a non-commission paying arm, which aims to distribute via fee-charging advisers. The company has lobbied hard for stricter disclosure rules which, in Turton's opinion, should be in cash terms or "as close to cash terms as possible."

Shaun Kinnis, Equitable Life's marketing director, said that the office's expenses were reduced further last year, probably against the trend. He added: "One reason is we do not pay commissions. It's also a question of productivity."

Equitable's 300 salesmen last year brought in £1.1bn in new premium business – an average of £3.3m per representative. The equivalent figure for the Prudential, which uses a direct sales force, is £123,000.

■ **What are the dangers of cashing in a policy early?**

These figures are the more alarming because it is plain that many policyholders surrender their endowments early, so bearing the full brunt of the charges but gaining no benefit from any long-term growth.

A study by the Securities and Investments Board – released in December – showed that, overall, a quarter to a third of policies were cancelled within two years. This injected extra fuel to the debate over disclosure which SIB had initiated already with its retail review of regulation. While several life offices claimed the figures were flawed (although they were defended by SIB), nobody has come forward with a comprehensive alternative.

Early lapse rates put high initial charges in a worse light. Jean Eaglesham, of the Consumers' Association, attacked the combination of high initial expenses and early-lapse rates because consumers do not know what their charges will be. "It allows companies to do what they like and hide behind an industry-wide figure which is not in cash terms and which consumers do not understand, anyway," she said.

"It is shocking that they are so secretive. I think the high expenses and the secretiveness are absolutely interlinked."

Many people would make a further link between high commissions, central to high charges, and high levels of bad advice. In its annual report for the year to the end-June 1991, Lautro, the life assurance regulator, recorded a 77 per cent increase in the number of complaints, the majority of which relate to over-selling and the sale of unsuitable products.

■ **What should we be told?**

The Consumers' Association wants company-specific disclosure of costs in cash terms at the point of sale. This is one of the stronger points of view in the debate, but Eaglesham admitted that consumer research is necessary to find out exactly which method of disclosure is understood best.

The present method, Reduction In Yield (RIY), shows how many percentage points office expenses would deduct from a projected investment yield of 7 per cent. Thus 4 per cent, a seemingly small figure, means that expenses would eat away more than half of your return. Companies make a performance projection using an RIY based on industry averages, rather than their own costs.

An actuary on a Lautro committee admits: "At the moment, I shouldn't think the consumer has a clue what he's buying." Others point out that illustrations in cash terms, or projecting deductions from premiums, could in themselves be misleading.

Many in the industry are nervous about broader disclosure, because this could deter customers. Others believe that greater openness is vital.

A few points are definite. The early penal surrender values are not understood (the SIB data and Lautro complaints admit of no other interpretation) and must be made clearer. The proposal to show early surrender values next to the total premiums which would have been paid is sensible and must go ahead.

Recent articles in the Weekend FT have shown that other forms of savings, such as unit trust savings schemes and personal equity plans, have outperformed endowments in the long term. These figures do not prove that your life company gives you poor value for your policy. But they should give you ammunition to ask some pertinent questions.

LIFE OFFICE EXPENSES

	COMPANY	Initial Expense Ratio 1990	Initial Expense Ratio 1989	Renewal Expense Ratio 1990	Renewal Expense Ratio 1989
1.	NEL Assurance	307.65	225.45	2.39	7.36
2.	Provident Life	251.72	220.66	31.48	27.57
3.	Gresham Life	242.77	257.71	10.26	10.22
4.	Reliance Mutual	224.44	175.67	14.31	15.01
5.	Avon Insurance	191.32	117.09	12.48	10.19
6.	CU Life Assurance	172.83	151.35	15.34	14.37
7.	Guardian R Exchange	169.25	185.77	24.51	16.86
8.	Royal Life	168.12	81.72	9.03	12.93
9.	Life Assoc Scotland	157.84	122.77	20.44	14.51
10.	G.A. Life Assur.	155.39	136.49	11.02	12.20
11.	SA & London Assur.	150.31	150.24	18.29	19.74
12.	Save & Prosper Ins	145.34	143.38	15.24	11.18
13.	Britannia Life	144.76	137.45	21.27	35.66
14.	Colonial Mutual LA	143.86	115.41	33.60	25.48
15.	United Friendly	125.68	113.49	40.15	42.66
16.	Medical Sickness Ann	124.86	118.11	8.96	7.79
17.	MGM Assurance	119.06	99.24	12.81	11.54
18.	Equity & Law Life	117.21	116.29	17.06	19.09
19.	Scottish Mutual	117.18	82.64	12.79	13.00
20.	Norwich Union Life	115.21	102.63	17.52	13.52
21.	National Farmers	112.87	111.09	8.68	11.50
22.	London & Manchester	110.93	115.97	14.07	15.87
23.	Friends Provident	110.87	110.47	11.38	11.27
24.	Teachers Assurance	105.98	112.34	19.44	21.63
25.	Legal & General	107.12	79.29	11.04	11.77
26.	Scottish Provident	106.19	119.62	18.82	13.38
27.	Sun Life	101.57	78.24	10.13	13.57
28.	Clerical Medical	101.10	99.46	10.67	11.59
29.	National Mutual Life	98.63	95.57	12.44	9.89
30.	National Provident	97.98	103.93	20.02	16.98
31.	Save & Prosper Pens.	97.72	99.78	10.46	11.94
32.	Ecclesiastical	97.08	114.79	8.34	10.93
33.	Eagle Star	92.75	75.70	38.00	26.65
34.	Scottish Amicable	89.73	94.82	8.84	8.79
35.	Utd. Friendly Ind	88.57	55.10	43.76	39.90
36.	Scottish Life	86.94	60.77	15.76	15.99
37.	Scottish Widows	86.77	46.55	11.49	17.73
38.	Provident Mutual Life	85.41	78.15	13.65	11.69
39.	Britannic	85.19	86.27	18.98	14.14
40.	Wesleyan Assur	84.77	113.93	21.96	21.82
41.	Refuge Assur Ind	82.93	85.84	35.99	33.66
42.	Refuge Assur	81.00	82.78	23.36	25.53
43.	Lon & Manchester Ind	78.12	78.16	36.26	37.18
44.	Prosperity Life	72.51	54.93	15.07	14.75
45.	TSB Life	69.64	72.75	5.37	7.52
46.	Prudential	67.98	67.35	18.65	19.56
47.	Scottish Equitable	64.32	84.69	15.98	11.25
48.	Pearl	63.33	67.77	37.65	35.53
49.	Co-operative	61.97	75.98	8.73	7.94
50.	Prudential Ind	61.53	71.74	51.45	46.06
51.	Wesleyan Ass Ind	59.09	59.42	35.31	34.31
52.	Standard Life	57.34	50.61	7.77	8.36
53	Royal London Ind	58.32	46.94	48.56	60.96
54.	Co-operative Ind	50.49	46.72	23.46	24.27
55.	Royal London	47.20	39.46	22.09	25.43
56.	Sun Life Canada	44.56	49.10	21.36	20.27
57.	Pearl Ind	42.64	40.63	39.73	32.85
58.	Britannic Ind	39.53	39.04	45.02	43.77
59.	RNPF Nurses	33.63	32.90	12.06	12.39
60.	Canada Life	25.01	7.21	25.18	40.89
61.	Equitable Life	24.10	28.49	4.57	4.42

Source: Returns on with-profits policies made by life offices to DTI

MINDING YOUR OWN BUSINESS

Helicopter group rides out a storm

***Nick Garnett** on a 'Thatcherite' enterprise that is making headway in spite of hard times*

WHAT WERE the bellwethers of the middle and twilight years of Margaret Thatcher's Britain? Soaring, then sliding, house prices? The spawning of new businesses at record rates then, also at record rates, company bankruptcies? Industrialists applauding the enterprise revolution, then wondering whether it was just a bag of hot air? Well, all these – and helicopters, too.

In the six years after 1980, the number of craft on the UK's civil helicopter register hovered between 500 and 600. A mini-boom then took place over the next five years as numbers leapt by more than a half to well over 900. Companies from manufacturing to accountancy, as well as a few individuals with bulging wallets, decided that travel by their own rotary wing aircraft was a necessity. Either that or a toy talisman of success, the Bollinger flowing all the way to Brands Hatch or the British Open.

But the balloon burst. Few new helicopters are being bought. Growth of the civil register first stalled, then went into gentle reverse. Second-hand prices have nose-dived. A twin-engined machine in good condition that would have sold for £180,000 can now be acquired, with a bit of searching, for half that.

Flying into this economic headwind, Aeromega, a helicopter company in Essex, has still managed to make headway, raising its turnover steadily to £1.4m in the last financial year and £1.1m in the first seven months of this. A lot of military personnel need to rebuild lives outside the armed forces as a result of national defence cuts; Kit Pemberton and Mark Barry-Jackson, former Fleet Air Arm pilots and joint owners of Aeromega successfully made that transition, first working as pilots for private industry and then for themselves.

Aeromega became airborne in the early 1980s, starting off in the unprepossessing location of an office above a kebab house in the seedy district of London's Soho. The company began with a brokering service, hiring planes and helicopters to do specific jobs, such as taking Revlon customers to France or organising powerboating junkets for cigarette companies. "It was a bit like a travel agency," says Barry-Jackson. "We didn't mind what we organised as long as we got our 7½ per cent." It was seat-of-the-pants flying. "We were living in penury and our wives were doing the supporting," Pemberton says.

Since moving to Stapleford airfield near Epping Forest, north of London, in 1984, Aeromega has grown into a company with 21 employees. Its expansion sheds light not only on the small world of operating and using helicopters but on running a business where information is the key to exploiting a market.

Mark Barry-Jackson, left, and Kit Pemberton in Aeromega's maintenance hangar in Essex

Aeromega looks after 14 helicopters, only one of which it owns itself. Contracts for a dozen of these machines allow them to be chartered out by Aeromega to other clients when not in use by their owners. Of the hourly fees of £750 per flying hour for the twin-engined Aerospatiales and £450 for the single-engined Bells, owners take more than half. "We tell them this could just about cover the cost of running their machine," Pemberton says. "In effect, we lease from the owners, feed the machines, water them and put them out to work."

Several wings make up the business. These include the managing and provision of engineering for helicopters, passenger charter, buying machines for clients, working for utilities like electricity and water, aerial filming and police support. It has a contract with Essex police and recently secured a three-year contract with Devon and Cornwall Constabulary.

This has helped cushion the loss of "soft" corporate business. "Jollies are now very rare," says Barry-Jackson. "Companies taking clients to blow a wad of £50 notes at Doncaster races that doesn't happen very often now. The froth has blown off the top of the market."

The recession flipped some helicopter companies into a crash dive. But Aeromega continued to increase turnover, raise hiring charges and rack up pre-tax profits of a little under £50,000 a year.

Aeromega's biggest expenses are its wage bill of £420,000 (pilots earn £30,000 to £40,000 a year), and renting two hangars at more than £40,000 a year. The company has never had to borrow. "We could have expanded much faster by borrowing but in the present climate, I'm glad we didn't," says Pemberton.

The company uses a publicity brochure but navigates the market mainly by word of mouth. "Keeping your ear to the ground is crucial in finding contracts," Pemberton says. "Our pilots are vital in this process." It claims never to poach work from other helicopter outfits, nor to deliberately undercut on contract price. "Clients will say: 'well, if they are undercutting on price, what else are they undercutting on?'." The recession, though, has meant far more tendering for contracts.

It has not all been easy. A flying school set up by Aeromega belly-flopped because of minimal margins, fiddly administration and a tendency to produce new helicopter pilots who immediately went off and set up businesses in competition.

Passengers can also get a bumpy ride. "A few people get sick," says Pemberton. "We normally make them clean it up themselves."

■ *Aeromega, Stapleford Aerodrome, Stapleford Tawney, Essex RM4 1RL. Tel 081-500-3030.*

Taking care of trouble at t'mill

***Clive Fewins** meets a traditional craftsman who rose above the recession*

AT THE beginning of 1991, David Nicholls' order book was so thin that after 21 years as a millwright he wondered if it was worth carrying on.

Local authority cuts, a general lack of cash around and – in common with many other hands-on small businessmen – failing to go out and market his company meant that, for Nicholls, the recession started early.

However, even if he had not won an important restoration contract for the Warwick Castle watermill, he still would have been able to keep his team together.

Nicholls is at a loss to explain why 1991 – a year most small businesses prefer to forget – turned out to be a year of upturn for him: one of the handful of experienced, full-time professional millwrights in the UK, with profitable work in half-a-dozen counties and an expected turnover of 220,000 (in a business of which he is the sole employee.)

Wind, water and to a certain extent gas all play their part in his varied workload. Nicholls, a specialist in historic buildings, was called in to assess Warwick Castle watermill, on the site of a medieval mill, rebuilt as a flour mill in the 18th century. It was adapted in the last century, becoming a comprehensive generating station supplying the castle with electric power generated from water and town gas.

Nicholls has worked on 26 windmills and 17 watermills, besides survey work and feasibility studies on another 35 mills. His job at Warwick Castle was to restore and recommission the waterwheel and its supporting mechanism; restore the control mechanisms, the transmission gear, the sluicegate and the massive trash screens; remove the debris that accumulates in the millrace, and be responsible for constructing a huge wrought-iron eel-catching framework which, he believes, will be the only one of its type in the UK.

This meant liaising with experts: architects, gas and electrical engineers and steel fabricators, as well as elusive wrought- and cast-iron suppliers. He also had to supervise his own team of 14, whose talents include precision engineering as well as traditional millwrighting skills such as joinery, carpentry, timber engineering; blacksmithing, forging and leather work.

Such a complex task underlines a modern problem faced by the "traditional" millwright: how to keep together a large team of experts whose skills – individually vital – almost certainly will not be needed all the time.

One answer is to undertake a diversity of tasks simultaneously – much as a builder does with his workforce. Another is – again like the builder – to employ most workers as sub-contractors and remain able to guarantee sufficient work to ensure that you can call on their skills when needed.

Nicholls says: "In millwrighting, some of those skills are so esoteric that you come under pressure to provide employment for most of the year."

This was the problem when his order book took a dip in 1990. There were jobs that would have provided an existence, but insufficient to provide the £25,000 a year that Nicholls aims to be able to pay himself, plus a reasonable return for his team.

"The other key to in this business is to know what is going on in the market place. There are so few full-time professional millwrights that this is not a difficult task."

He is trying to hedge against the future, accepting a partnership with a friend and business associate, Alan Smith of Impel Engineering, a four-man precision engineering company based at Woodcote. He also plans to develop the team's conservation work on historic buildings.

"Looking to the future in traditional millwrighting, I don't believe there are any wind- or water-powered flour mills left that one could renovate and turn into economic businesses," Nicholls says. "But I think there is a future for water mills if they are used for other functions – for example, as small individual paper mills or power sources using renewable energy for other applications, preferably with visitor interest.

"There are any number of conservation bodies and enthusiastic individuals who may require millwrighting work. But so often I get a call from someone who then realises that the job would be hopelessly expensive. I have to explain that in order to retain my team I have to run the operation as a business. Too many millwrighting enterprises fail because they have been run by devotees who have put their enthusiasms before business acumen.

"Sadly, this means that there are still many worthy old buildings that are going to fall down. But there are many amateur groups who successfully restore mills and other historic buildings over many years in their own time, using people like myself to provide professional expertise or components."

■ *David Nicholls, The Chiltern Partnership, 32 Kidmore Road, Reading RG4 7LU.*

CGT exemption on BES schemes

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

I FIRST invested in Business Expansion Scheme companies in 1984/85 and have made further investments every year since. The earlier schemes were not exempt from taxes on dividends or capital gains.

Can you tell me:

(1) With effect from which tax year were these exemptions introduced;

(2) With regard to those BES investments which are exempt from Capital Gains Tax, will it be possible to claim CGT relief again the loss suffered in the event of a company failing and being wound up, or in the event of the shares eventually being sold at a loss?

■ (1) The exemption applies to shares issued after March 18 1986.

(2) No.

Section 149C of the Capital Gains Tax Act 1979, as amended, (which is now being re-enacted as clause 150 of the Taxation of Chargeable Gains Bill) says: "(2) A gain or loss which accrues to an individual on the disposal of any shares issues after 18 March 1986 in respect of which relief has been given to him and not withdrawn shall not be a chargeable gain or allowable loss for the purpose of Capital Gains Tax."

Compensating family trusts

WITH reference to compensation limits for building societies accounts, what is the position when family trusts make such investments?

Specially, I am concerned (as settlor) with (1) an interest-in-position trust and (2) an accumulation to maintenance settlement, each with two primary beneficiaries, and four trustees. The accounts are normally opened in the name of the trust by two of the trustees.

■ The trustees are together as a single body of persons, and so will have protection up to £20,000 only, however great the sum held by them: see paragraph 2 of Schedule 6 to the Building Societies Act 1986.

Exercising a warrant

SOME warrants which I hold will shortly reach the date when I shall have the right to subscribe for shares in the company which issues them.

The subscription price of the shares is presently considerably below the market price of the shares and I am concerned about the capital gains aspect.

Am I right in believing that a capital gain will arise, and that this gain will be the difference between the value of the shares for which I will subscribe at the date of subscription, and the cost of the warrants.

■ No, the exercise of warrants-to-subscribe is not a disposal for CGT purposes.

The cost of the warrants should be indexed from the month in which they were purchased up to the month in which they are exercised.

That indexed figure is then added to the subscription price to form the base cost of the shares; and that combined base cost then ranks for indexation from the subscription month.

If the warrants were purchased before April 6 1982, then indexation starts from March 1982, and their quarter-up value at March 31 1982 will be relevant – it is a pity that you did not say when you acquired them.

The rules are to be found in paragraph 15 of schedule 19 to the Finance Act 1985. Although that paragraph does not in fact cover options-to-subscribe (it only covers options-to-purchase, in contrast to the Corresponding rule in paragraph 7 of schedule 13 to the Finance Act 1982), there is an unpublished extrastatutory concession on the point.

Ask your tax office for the free pamphlet CGT14 (Capital Gains Tax: an introduction). You may also wish to write to the Inland Revenue Public Enquiry Office, Somerset House, Strand, London, asking for formal confirmation of the continued operation of the unpublished concession extending the scope of paragraph 15 of schedule 19 to the 1985 Act to options-to-subscribe.

At the same time, you could ask them why they have steadfastly declined to publish this 6¼-year-old concession in the official booklet of Revenue concessions, IR1 (with supplements).

PROPERTY

It's been worth the wait in NW8

***John Brennan** looks closely at one of London's best residential areas*

THE residential arc across the north and north-west of central London – from Highgate to Hampstead and down to St John's Wood, at the top end of Regent's Park – includes some of the most frequently-traded houses in the capital. The locals cannot sit still – and the area attracts more than its share of short-term owners from abroad.

In the mid-1980s St John's Wood, in particular, was made nearly impassable because of builders' skips parked outside houses and flat blocks, filling up with previous owners' interior decorations. The turnover record probably is held by a family house in Little Venice, by the Regent's Canal; it had three new kitchens, to match its changing owners, in just four years. But in the deal-crazed pace of that period, even the decorators lost track of who was having what done

There has been constant sales movement in this northern arc ever since, even though sales agencies in west-central London have been struggling to find signs of life in their market. Why the difference?

Divorce always helps to make available a steady supply of houses and flats. The area has its full share of repossessions and cash-strapped sales, too. The fact that more owners live there year-round than in, say, Mayfair, Knightsbridge or Belgravia also goes some way to explain this greater activity.

British buyers within this northern arc tend to have clear ideas about where they want to live. As a generality, Hampstead Garden Suburbanites may seek to trade up within their area but rarely beyond. Hampstead home-seekers often turn to the similar-sized and less expensive family homes on the Highgate side of the heath, while those who prefer St John's Wood are willing to set the probability of having to buy a leasehold against time-savings on travel into work.

Overseas buyers, as Noel De Keyzer of Savills confirms, have a less-localised view of these markets. Often, they will start their search on the northern border of Regent's Park and end up two miles north in Hampstead or Highgate because they do not want to spend money on a leasehold. This applies particularly to Americans, who commonly start their search at the park's north-west corner because their ambassador's residence and the American school are there. But many end up buying freeholds to the north.

The same thinking applied when the Sultan of Brunei's home-buyers were active in London a few years ago. They looked at the leaseholds, but then followed elements of the Saudi royal family north, buying several houses in Highgate. His last big purchase was a £5.6m mansion in The Bishop's Avenue, Highgate's "millionaires' row."

But that was then. Sales agents now are attuned more acutely to the calls of Far Eastern cash. Their patience is beginning to be rewarded.

"Hong Kong buyers are active in the area now," says De Keyzer. "They are looking for properties that they can buy and rent out for three to four years. A lot of them are medical people who can practice over here after the hand-over to China in 1997 and, yes, they do have plenty of cash."

These buyers have been on the sidelines for the past few months, some viewing and others taking a long view on areas such as Docklands and acquiring bargain flats. But most have been dissuaded from action by the argument that London prices have further to fall.

In London's northern housing arc, price cuts have been sharp enough to persuade even sceptical Hong Kong investors that they are seeing good value. These buyers are expecting, and getting, minimum returns on their investments of eight to 10 per cent from open market rents on the modern, two-bedroom flats or modernised freehold family houses that head most property shoppers' lists. They can achieve these returns (occasionally, substantially higher) at a time of stable rather than rising rents, and because of property price cuts of between a quarter to a third since 1988.

The odd cautionary tale of a price collapse helps realism among vendors, and most sales agents' conversations are full of such disasters. Savills' records include one property on the Mortgage Corporation's books which sold in 1987-88 for £3.5m, and re-sold recently for £1.25m after repossession.

Grove House, formerly Nuffield Lodge, in Regent's Park, London

At much the same time, Middleheath, one of the largest of the red-brick Victorian mansions built along West Heath Road to face Hampstead Heath, was on the market because of the BCCI bank crash. Promoted initially at an asking price of £3.5m, it has now been sold to Far Eastern buyers for nearer £2m.

Andrew Wadsworth's is asking prices on some of his Dockland developments by Tower Bridge once overshadowed all comparable ones. Subsequent price-cutting on those schemes recognises the changed market – as does the "just under £2m" asking figure (actually £1.975m, via Savills in Hampstead. Tel: 071-431-4844 – his own house in Carlton Hill, St John's Wood.

This is a classic 1840s Italianate villa in an area that can claim to be London's first estate development with semi-detached and detached, rather than terraced, housing. Wadsworth has done an enormous amount of renovation tothis nine-bedroom property.

The Grove and The Towers are at the geographical top and bottom of the northern arc – and the two most expensive homes on sale in London.

The newly-built Towers in Highgate, with 31,000 square feet of residential space, has a £25m price tag that leans heavily on the hope that someone will wish to buy, and have finished to taste, one of the biggest houses in town.

The Grove is on the extreme southern edge of the arc,on the bank of the Regent's Canal. Although £17.5m for a 96-year Crown lease does put it in the same super-cost range as the Dallas-style Towers, there the similarities end. Better-known for many years as Nuffield Lodge (because of its post-war lessee) the Grade I-listed Regent's Park villa that the late Robert Holmes à Court and his family restored and improved it to a standard that would have shamed Decimus Burton's builders in 1822. Mrs Janet Homes à Court is selling it because she spends less time in London since her husband's death 18 months ago.

Progressive additions have given the house 12,300 square feet of space on three floors, with a separate studio and small office building. Set in more than four acres of garden stretching half a mile along the canal, sales agent Knight Frank & Rutley (071-629-8171) is unlikely to have any problems attracting viewers. Buyers should be close behind.

Good faith can sometimes wobble

***John Brennan** explains how estate agents may run into trouble over payment of agency fees*

OWNERS of less-expensive houses pay up and owners in the north of England tend not to quibble about the costs of a sale. But in the rarified world of million-pound houses, flats and even country homes in the south-east, the practice of "skipping" fees is becoming a potentially-crippling feature of the market for estate agents.

A random sample of sales agencies, from Carlisle to Nottingham, suggests that fee loss is not a significant problem outside the south-east. Sale values tend to be lower and agency clients hold by their deals. But the picture is different in London.

In the late summer and autumn last year, Antoine Lurot, of mews property specialist Lurot Brand, highlighted an evident change of attitude by vendors to agency fees. He revealed that he had been forced to seek asset-freezing injunctions to stop former clients leaving the country without paying their bills.

At the time, his public comment inspired only a limited response from other agents. But the sales market was so quiet at the time that examples of non-payment were few and far between.

Since the New Year, as asking prices subside steadily to reflect real recessional values, sales volume has started to pick up. And with more completions being achieved, the "sell for free" problems are growing.

Take Winkworth's franchised offices around London. Spokeswoman Hilary Wade says there now are "lots of problems collecting fees. You get people who are refusing to pay and others who just cannot pay."

She adds: "If they genuinely cannot pay, the office may try to come to an arrangement." But she notes: "It is the more expensive homes - the top end, not the bottom – that try to get away with it."

Among high-value properties in central London, for example, the amounts some vendors try to avoid paying are substantial. When you take into account a 2-2½ per cent sale fee for a £1m property, plus perhaps a further 1 per cent of the value for advertising costs, you are looking at a respectable-sized cheque, even for a wealthy owner.

A classic example of the problem comes from agent John D. Wood and Aylesford, which had reason to break out the champagne after the successful sale of a London town house a few weeks ago. At £2.2m, the agency had achieved full value for the property after months of trying. The vendor should be delighted.

Within 24 hours of completion, however, the agent was told there was no money for its fees. The bank mortgage on the property, plus legal costs, had absorbed all the sale proceeds.

George Pope, of John D. Wood, says that incorporating a clear contract for eventual payment of fees, at the time an agent is instructed on a property, is not worth the paper on which it is written if the vendor does not have any cash left over after the sale. Calling on the client's solicitor to ensure that agreed sale fees are held out of the completion money tends to be an equally futile exercise.

In provincial towns and cities, the local sales agents and solicitors have to get along together and tend to co-operate. In London, though, agents find solicitors deeply reluctant to respond to requests to put aside some part of their client's funds for someone else's fees.

In the heavily-international central London residential market, client identity can be a problem in itself. Savills' Noel De Keyzer says: "You do have to be incredibly careful these days to make sure you know who your client really is. Is it the person you see the house with and arrange the instructions? Is it the wife? Is it a company?"

Having identified the client, Andrew Langton of Aylesford makes the point that "there is a certain element of good faith" in the relationship between agent and client which does assume that fees will be paid. Recently, however: "We have had to start looking out for people who are hiding behind companies and individuals who might be even mildly 'wobbly'."

Langton recalls when it was normal for estate agents, rather than solicitors, to hold the deposits on property sales, and when fees could be deducted from that cash. Now, he accepts that any attempt to wrest back that deposit-holding role from the lawyers looks like a lost cause.

A more worrying development for agents is the rise of the would-be discretionary fee-payer. Simon de Boinville deals with country-house sales for John D. Wood from its Winchester office. He tells of clients sending in cheques for a proportion of the agreed sale fees which are marked as if "in full settlement" of costs.

De Boinville, and a number of his counterparts in other agencies dealing with town sales, also report the arrival of a breed of client who expects to be able to re-negotiate fees downwards after the completion of a sale.

The partial payers, the re-negotiators, and those who simply refuse to pay and tell their agent: "Sue me," know full well that estate agents' rely more than most service businesses on the good faith of their clients. Up among high value properties it is evident that this good faith is in increasingly short supply.

INTERNATIONAL PROPERTY

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LONDON PROPERTY

GARDENING

If it's begonias you want . . .

Robin Lane Fox visits a glasshouse which has few rivals in Britain for size and none for beauty

ON THE *rebound* from Edinburgh's Botanical Gardens, I have been cooling-off in Glasgow's. This year, their Kelvinside site will be celebrating its 150th anniversary. Several of the main glasshouses are being rebuilt but there is plenty to enjoy meanwhile, although they do not have the heavenly quality of their bigger neighbour.

The best site of all began as an instructive white elephant. When the gardens opened in 1842, people were sure of entry only if they belonged to the right social class. Suitable subscribers paid a guinea for family membership but the plebs were let in only on Saturdays, and if they could pay a shilling each. On a very few days the labouring classes were allowed in, too, paying one penny each for the privilege. Everybody knew their place until the directors overreached themselves in the notorious affair of The Glasshouse.

The offending extravagance still stands there: a magnificent, double-dome Victorian glass-work which covers more than 23,000 sq ft if you add in its various corridors. It has few rivals in Britain for size and, to my eye, it has none for beauty; this masterful building is bold, simple and elegant.

It began life privately in the gardens of a well-known entrepreneur and engineer, John Kibble, at Loch Long. He agreed a long lease with the Glasgow Botanicals under which he would continue to use his glasshouse for private functions and the directors would pay him rent. But they found the lease hard to fulfil (I cannot help wondering if matters might have been easier if the lower classes had been given more opportunities to tender their pennies, and if tradesmen and the like had been included freely as subscribers).

Anyway, the city corporation soon had to bail them out. But once you enlist friendly partners, you know what happens. Six years later, the loans and the expenses sank the directors altogether. The city bought them out in a deal which it cannot have regretted.

The Kibble palace might have sunk its first lessees but it remains in excellent shape and repays a careful walk. Inside, the flora from various continents is arranged in an ingenious progression while sculpted figures of Victorian marble greet you as you stroll round. In the forecourt you can find Eve, Cain and such companions as an Oriental slave. Among the shrubs, a modest Miss New Zealand raises a strategically-placed knee and looks out beside the camellias to a circular bed of huge tree ferns under the main dome.

Individually, the geographical plantings have some fine old specimens, especially some tree-like jasmine mesnyi and its butter-yellow flowers. However, I did feel that more could be made of flora from regions such as Australia and the Canaries. It would be fun to replant the Kibble palace during this anniversary year.

Outdoors, February is not the season for Glasgow's particular features, a huge double herbaceous border and a Chronological Bed where plants are arranged by the years of their discovery. On the way to the Gents is a fine show of white-flowered osmaronia but, early in spring, the main thrust of the gardens lies under yet more glass up the hill.

When all the houses here are open again, we will see the full involvement of Glasgow's botanists in anything from Papuan wildflowers to spice plants and tropical trees. I visited with a sharp eye for ideas for a modern conservatory. Here, two particular sections stood out. One was a cheerful mass of poinsettias, azaleas, the scented hyacinths which greenhouses segregate too often in pots, unusual salvias, and the sweet-scented, early white rhododendron fragrantissimum.

On the outer sides, there were flowers all over two easy types of abutilon – the dark-flowered Master Hugh and yellow Golden Fleece. In a nearby room, the Powder Puff tree from Brazil would be more of a challenge for amateur gardeners. At Glasgow this tall tree is covered in buds, like tight little pin-cushions, and brilliant scarlet puffs of flower. Calliandra inaequilatera is not an easy plant for the rest of us.

Begonias are another matter, though. If you want to see what the family includes, Glasgow is the place to go and February a good moment in which to strike. Glasgow holds the National Collection and has obtained plants from the best hybridists and collectors, making this section the botanical high spot of the greenhouses.

If you know only the huge double begonias which parks plant in circular beds, the Glasgow display will open your eyes. One house brings together a huge mass of multi-coloured leaves and pink and pinkish-white small flowers which characterise the begonia in its natural habitats from Columbia to the Himalayas, Brazil to the Red Sea. I was lost happily in a jungle of potential house-plants, none of which would be difficult in damp, moderate heat.

Hybrids like Universe have masses of fine white flowers above big mottled leaves, like the ears of an elephant. I liked the idea of one called Tiger Paws in a small drawing-room. Its green leaves are mottled with tiger footprints in brown and white.

Nowadays, this good garden welcomes all comers, even those on the rebound from Edinburgh. The labouring classes are guaranteed entry, and not just because there are fewer jobs than ever for people in the city. There is only one class of absentee. As in Edinburgh, so in Glasgow you would be hard-pressed to find a serious patch of weeds. It might be cold in Scotland but there are camellias already this year – and none of the signs of couch grass which are bothering me even now in one of my borders.

An undercover story

HALF-hardy annuals are those kinds which must be sown under cover to become advanced enough to flower outdoors in the same year. The usual practice is to sow in a moderately-heated greenhouse or propagator, with temperatures between 16-20°C (61-68°F), in February or March and to grow-on the seedlings in a slightly lower temperature until May, when they are accustomed gradually to outdoor temperatures. Then, late in May or early June, they can be planted in the garden.

There are, however, all manner of variations on this treatment, just as there are all manner of differences in the characters and the actual degrees of tenderness of the plants we call half-hardy annuals. Some of them are not even annuals but perennials – for example, antirrhinums, lobelias and also Salvia splendens, the plant we used to call Scarlet Salvia until it started to blossom in other colours.

There are also some half-hardy annuals that need not be sown until early May, such as zinnias and single-flowered annual asters; by then, they can be sown out of doors in many places. They will, of course, flower later and will not make such big plants as those that were sown a couple of months earlier, but they will avoid the checks to growth that can be caused by clumsy pricking-out or violent changes in temperature.

What is certain about this rather ill-defined group of plants is that if you plan to grow some of them from seed, you should be making preparations now. If you prefer to buy plants ready to go direct into the garden, you should curb your impatience and not do anything until you are sure there is no further risk of frost – most particularly, the short-duration radiation frosts that can occur very severely around dawn in some places during April and much of May. People living near the sea or in towns often are best-placed to avoid these.

Because antirrhinums are perennials, they tend to grow at a fairly leisurely rate and need to be sown rather early. I would certainly get them in by the end of February. But they are hardy compared with petunias, nicotianas or most marigolds which, if you are short of space in which to grow-on plants, might well be left for March sowing.

The rate at which some of these true annuals can develop is astonishing. In February or March, you might be faced with perhaps a dozen seed pans occupying quite a small propagator. By April, there can be hundreds of little pots, each with its rapidly-growing seedling, and the greenhouse stagings are filled along with emergency shelves.

Plant of the week

Betula ermanii

This can be one of the most beautiful of the Asiatic birches but it is a very variable tree and it is necessary to get a good form of it. This will make a straight trunk 230 ft or more high, covered in white bark which peels in papery strips to reveal a pinkish layer of bark beneath. The side branches are not very long and are fairly upright so that the tree makes a rather narrow head very suitable for cultivation in gardens. It is hardy and grows well in all reasonably fertile soils provided they are well drained. Leaves are similar to those of our native silver birch tree. It is widely available from tree nurseries and sometimes from garden centres and should be selected for the good colour of its bark. There is a reliable variety named Grayswood Form. *AH*

Some seeds and seedlings are very small and difficult to handle. The dust-like seeds of begonias of all kinds need to be sown on the surface of smooth compost; then, they should be covered with a sheet of glass or a piece of tightly-stretched cling-film or polythene kept out of contact with the seeds and the soil. This should stay in place until the seeds germinate; then, it should be removed and the sprouted seeds covered with the merest sprinkling of fine peat or sand.

It is possible to buy some seedlings in cartons in which the seeds have been germinated and are just at the right stage for pricking-out an inch or so apart in seed trays or whatever else you fancy. This method saves a lot of trouble, but I find there are usually so many seedlings in the cartons that you really need to share them with one or two other garden-owners.

The biggest threat to all half-hardy seedlings in the early stages is damping-off disease (this is not really a single disease, but it is not necessary to distinguish between different forms).

The thing is to avoid them all. That means using either naturally-sterile or sterilised seed and pricking-off composts, and also being extremely careful about drainage and avoiding over-watering.

Low temperatures can also bring on a bad attack of damping-off which can wipe out whole cans of seedlings in a day or so. It is said that the disease can be checked by watering affected seedlings with a fungicide called Cheshunt Compound but, once the troubles have started, this is not really very successful. This does not mean it is not worthwhile to water compost in the seed pans before or immediately after the seed is sown, as a preventative rather than a cure.

Most seeds will germinate equally well in the light or dark but some have preferences. Impatiens, the Busy Lizzie, must have light so it should not be shaded in any way, not even with compost. The method of covering the seed pan with glass, polythene film or cling-film can be followed and will have the added advantage of maintaining a moist compost and a humid atmosphere.

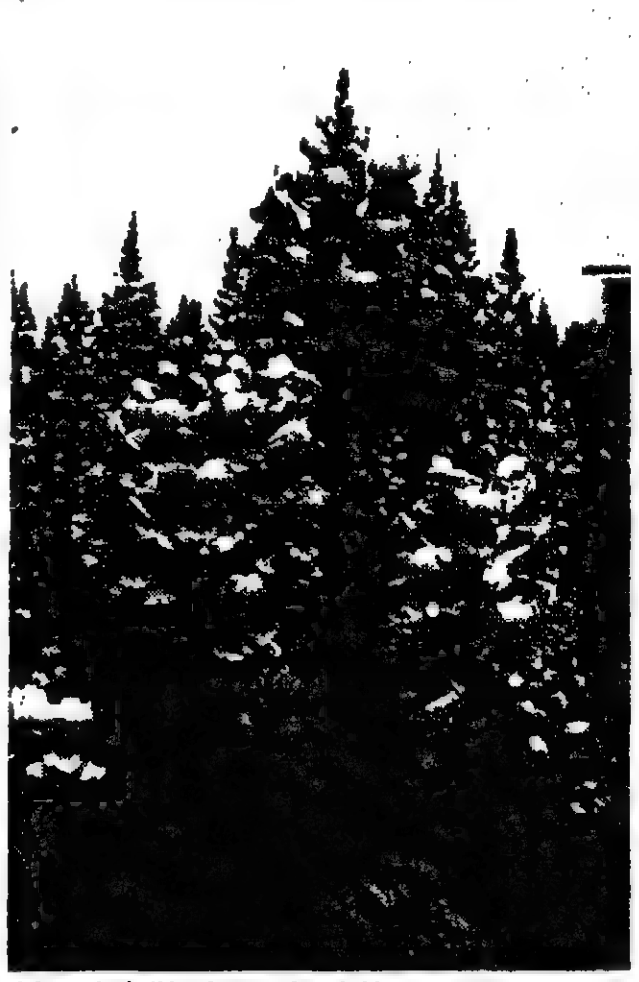
Mark well, however that they need light – *not* scorching sunshine. The seed pans should be in a shady place where conditions will be equable all the time rather than fluctuating rapidly, and the temperature at least 21°C (70° °F). After germination, this can drop to 18°C (65°F).

Geraniums are half-hardy perennials but vast numbers are treated now as if they were half-hardy annuals and grown from seed sown each year. They are not the easiest of seeds to germinate, although most seed companies help the gardener by preparing them with clarification carried out by hand or with acid. Whether treated or not, a temperature of 21-24°C (70-75°F) is necessary for germination and the seeds should be sown quite deeply – about a quarter-inch (6mm).

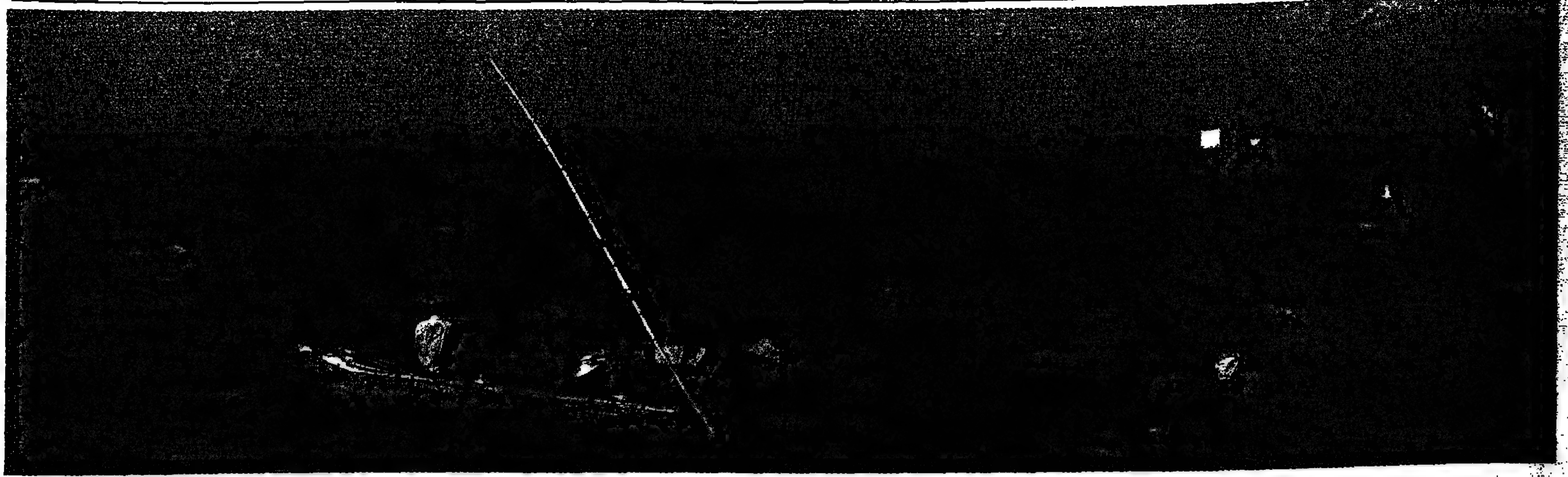
As all geranium seed is expensive, it seems wise to leave it until you have gained experience with easier things such as marigolds. The seeds of these are large and easy to handle, they have no special fads, and they can be spaced widely enough in the seed pans to dispense with the need for pricking-off. Instead, the seedlings can go direct into small pots when they have made two or three true leaves; then, since they grow rapidly, they can be moved into larger pots when the little ones get full of roots.

There are plenty of half-hardy annuals and plants treated as such which should give little trouble. These include antirrhinums, ageratum, brachycome, Chabaud carnations and annual pinks, cosmos dimophocheca, lavatera, lobelia, nemesia, nicotiana, petunia, Rudbeckia Marmalade and Rustic Dwarfs, venidium, verbena and zinnia.

Arthur Hellyer



A favourite half-hardy annual: antirrhinums



Haiti: it has echoes of the East, undercurrents of West Africa, a little French chic and a bracing Caribbean climate

A devil-may-care voodoo society

*A group of beggars welcomes **Ian Thomson** to Port-au-Prince, capital of Haiti. Travelling around, he finds that the national sport is cock-fighting, and religion and voodoo hold a poor people in thrall*

HAITI IS A hairy place. When Alec Waugh told his friends that he was going there for a holiday, they raised their eyebrows. "Haiti," they said. "But that's where they kill their presidents and eat their babies. You'd better buy yourself a large-sized gun".

But I could not afford a gun. I was about to fly from Miami into a state of perilous upheaval and felt nervous. "Man, you gonna lay your life on the line out there in Hay-di," the taxi-driver informed me on the way to the airport. "They're killin' people like flies". I clung to the passenger-strap and closed my eyes.

"Best of British," grinned the cabbie.

The flight passed without incident. As the aircraft rolled smoothly along the tarmac at Port-au-Prince, Haiti's capital, a group of beggars in tattered straw hats were shaking maracas at the entrance to Immigration. *"Bienvenu blanc!"* they grinned.

Then a boy approached selling trumpery wooden carvings. "Give me one dollar!" It was a relief to find that Customs were quite perfunctory. "Purpose of visit?" I was asked. Tourism, I said, to which the official replied: "Very good, m'sieur. Tomorrow belongs to Haiti, because Haiti means business".

The evening sky over Port-au-Prince was stained with a reddish light, shimmering slightly. It was hot and muggy.

I went straight to the Hotel Oloffson. This is a colonial clapboard mansion made famous by Graham Greene in his Haitian novel, *The Comedians*. There are wobbly overhead fans but very few tourists. A complimentary cocktail of Barbancourt rum awaited me on the wicker table in my room.

I drank a stiff measure and fell asleep.

Port-au-Prince by day is a study in bedlam. The main roads are choc-a-bloc with public buses known colloquially as *tap-taps* from the noise of their vintage engines which emit a tapping sound as they labour over hills. Most of these are Peugeot 404s converted into tuppeny jitneys, and they list perilously to starboard under the weight of human cargo, belching plumes of diesel smoke.

Painted in crude colours like the horse-drawn carts of Sicily, *tap-taps* evidently reflect the temperament and tastes of the people. There is the Haitian flair for pageantry: masonic pentacles, fantastic flamingoes, palm trees. The more flamboyant these decorations, the greater the driver's status, rather like the number of tattoos on a man's forearm.

There is also history: lurid representations of the national heroes Jean-Jacques Dessalines and Toussaint L'Ouverture, their playing-card sabres encrusted with precious stones. Above all, there is religion. Many buses are decorated with quotations from the Old Testament, particularly from the Book of Numbers: "The one lamb thou shalt offer in the morning; the other lamb thou shalt offer at even…" A *tap-tap* is Haiti in miniature, surreal as a Dali canvas.

The market at Port-au-Prince – a block square of bawling and bargaining – is a great arched iron structure painted red and green. It is not unlike an oriental bazaar, with minaret-domes that might have come from Agra or Fetehpur Sikri in India.

One is constantly pestered by money-changers – "Pssst! Pssst!" – and by hucksters bent double under prodigious loads of contraband. The swarming, clanging, shouting hell of the market may overwhelm, but it is the best place in which to buy Haitian paintings, raffia bags, globular straw baskets or Ali Baba jars of unusual design.

Things are very different outside the capital, where the air is fresh and vital and tropical plains lie under a vault of blue sky. I took a *tap-tap* to Jacmel, a provincial town on the southern coast of Haiti.

Jacmel was once a thriving colonial port. Steamships would sail there every month from Southampton, bringing British tweeds in exchange for coffee. The place is now in decline, but the gingerbread mansions have considerable charm.

The Hotel Alexandra is a magnificent clapboard affair cluttered with French antiques, many conserved under sheets behind a locked door. The proprietor, a diminutive mulatto of fearsome aspect, will arrange a journey by horse to the *bassin bleu* in the hills nearby. It is a rough and unfrequented trail that winds along a steep chasm, fording streams made almost impassable by rain. But it is well worth the discomfort, as the *bassin* is a series of natural aquifers, the waters of which are an amazing blue-green from dissolved limestone.

Jacmel is a good place in which to witness a *gaguère*, cockfight. This is not for faint-hearts, but it is the national sport of Haiti: what the bullfight is to Spain. Tourists are shown to the best ringside positions. Wads of cash are circulated among the crowd by touts and tipsters as the antagonists are carried squawking into the cockpit.

Feathers have been clipped, combs cropped and made flush with meticulous care. There is a very complicated toilet as the seconds each take a mouthful of water from a calabash and, pressing the birds to their lips, suck and spray their plumage so that it adheres flat to their bodies and affords the opponent little hold. More bets are placed as the men bend down to make the sign of the cross in the dust. Finally, the man who has been collecting the wagers blows a tin whistle and the fight begins.

At first the gamecocks circle each other cautiously, like boxers seeking an opening; then they shoot up in the air with talons interlocked, feathers taunted into ruffs. The spectators crane forward from their benches to encourage or jeer at the contest, screaming and waving their arms. A hurrah – *"Woaah!"* – or cry of dismay – *"Haii!"* – goes up whenever one of the birds is pecked in the eyes.

The contenders close with each other again. A whirr of wings and a savage peck – *"Haii!"* – sends feathers floating about the cockpit like down from a pillow fight. Then a bird spins round and collapses – *"Woaah!"* – like an alcoholic, one wing hanging open, its breast torn of plumage. With a whoop of jubilation from the crowd, it keels over into the dust.

Straw hats fly into the air as the victor spreads its wings and shrills a triumphant cockadoodledoo. I remember glancing with a qualm of repulsion at my shirt-front; it was speckled with blood.

Religion is the mainstay of Haitian society: voodoo and Catholicism. It is said that Haitians are 80 per cent Roman Catholic and 100 per cent voodooist. Religion is perhaps all that remains for the voiceless poor of Haiti: the spirits of distant Africa, the cross of Christianity.

The twin-spired pink-and-white cathedral of Port-au-Prince resembles the Sacre Coeur in Paris. A massive shrine to the Virgin, swathed in wreaths of pink tulle, stands in the parquet transept. Tasselled standards embroidered with numerous injunctions from the Bible line the aisles. There is a scent of dying flowers and burial candlewicks.

Often I saw a crowd of wailing women round the Madonna. Many would prostrate themselves in supplication, lying prone with faces pressed against the floor, clutching in one hand a lighted candle, a rosary in the other. Some curious votive offerings had been placed at the Madonna's plaster feet: a small mirror, a white silk handkerchief, empty bottles of Cinzano and Madeira. These were objects left in honour of Erzulie Freda, an African divinity of Dahomean origin who is mirrored in Catholicism by the Virgin Mary.

The celebrants wailing before me in the cathedral were respectful of both Erzulie and the Madonna; Christianity has never triumphed over voodoo for the simple reason that voodoo itself has always been receptive to elements from catholicism.

It is not easy to attend a voodoo ceremony. Friday nights at the Hotel Oloffson feature voodoo extravaganzas, but these are carefully choreographed for tourists with showgirls cavorting to a rhythmic hula-hula.

One has to venture deep into the countryside to find the real thing. This I did, and found myself awoken by a rumble of drums on a tiny island near the tip of the southern peninsula. Louder and louder came the drums, accompanied by a rattling of pots and pans for rough music. The chanting of a monotonous litany rose as I approached the ceremony: little oases of familiarity – *"libera nos a malo… exurge morti"* – were mingled with abracadabresque shrieks and howls.

I followed the drumming to the *tonelle*, a great awning-like canopy of woven palm-thatch which serves as the roof for an improvised temple. There I insinuated myself among a crowd of spectators who had gathered on the outer edges. It was dark, although a little light was shed over the dried mud floor from an oil lamp nailed to the canopy.

A few children stared at me wide-eyed and frightened behind the skirts of women. Otherwise, no one gave me a glance: most people seemed to be in a sort of trance, oblivious of intruders.

Peering over a pair of shoulders, I was confronted by a scene which caused me some alarm. Twenty or so white-clad men and women staggered and reeled to the drumming as if drunk. The voodoo priest – *houngan* – was wearing a red cassock with a large frilly white collar, his fingers and thumbs loaded with glittering rings and bangles. Growling like a hound, he sat astride a prostrate woman, flailing his arms and yelling "Out! Out! Out!" It was some kind of exorcism. One woman stood still as foam collected on her lips, then threw back her head and began to gyrate her arms with rapid, scythe-like revolutions.

A man slithered along the ground, muttering incomprehensible words apparently mingled with French and a little Spanish: *"Bête mechante… roungou… vougnou… muerte. Oh! Seigneur!"* Then he leapt to his feet and began to writhe as though under the blows of an invisible whip.

The drummers also looked possessed, bashing furiously at four tapering barrels with raw-hide membranes. They moved their hands with such rapidity that the noise raised the mood to fever pitch. Clothes were torn away unconsciously and two or three hot bodies collided with me, whirling away like dervishes.

Soon the *houngan* came out of his trance, sweating and jiggering his shoulder-blades like an epileptic. When he raised a chicken to his mouth, preparatory to crunching through its neck, I moved silently out of the temple, unable to withstand the dust, the cigar smoke, the smell of crowded swaying bodies, and now this blood.

The Tonton Macoutes (secret police) are still in the woodwork

Of course, Haiti is not all voodoo and cock-fight. Near the northern city of Cap-Haitien stands a fortress more massive than the Tower of London and called the Eighth Wonder of the World. The citadel was built by King Henri Christophe, who ruled the north of Haiti for 14 years until he committed suicide (with a silver bullet) in October 1820. The citadel towers above the timber-line on the crest of a mountain, and the hike uphill takes three hours.

The citadel looms suddenly in a bend of the trail. A mass of titanic stone apparently welded to the landscape itself, the sheer vastness of the thing bewilders. Inside, you are shown a baffling maze of corridors and passageways, rooms honeycombed with oubliettes, tunnels and tiers of galleries.

A block of stone in the topmost battlements marks the king's tomb, adorned with a tablet that states: *"Je renais de mes cendres"* – I shall arise from my ashes. Henri Christophe was buried there in quicklime to preserve his corpse from the mobs.

Memories of Haiti are likely to be good and bad, the intensity of experience in this country as exhilarating as it is exhausting. It has echoes of the East, undercurrents of West Africa, a little French chic and a bracing Caribbean climate. The begging is dreadful. Political violence may erupt at any moment. AIDS is everywhere. The Tonton Macoutes (secret police) are still in the woodwork. Yet there is a devil-may-care gaiety among the people, a courage and humour in the face of desperate odds which the visitor is unlikely to forget.

■ Ian Thomson's *Bonjour Blanc: A Journey Through Haiti*, was published by Hutchinson last month, at £16.99.

PERSPECTIVES AND SPORT

As They Say in Europe/**James Morgan**

This troubled sporting life

INTERNATIONAL sport arouses xenophobia among the British, paranoia among the French and, inevitably, *Angst* among the Germans.

Ladies first: the world's fastest female, Katrin Krabbe, cheated on a dope test in South Africa and was banned for four years as a result. So there is a new word in the German language – *Urinmanipulation*. The neologism covers the action of Ms Krabbe and a compatriot who thought they might save time and trouble by presenting a sample delivered by a third lady as representative of them all.

Our heroine is known as *Die goldene Brandburgerin*. There must be a Schubert song cycle of that title which is somehow relevant to this sad tale. Ms Krabbe is, inevitably, a privileged product of the old German Democratic Republic. The *Sächsische Zeitung* from Dresden in the east lamented that the story was going to provide "yet another variation on the theme of 'trouble with the east Germans.'" The reference here is to the disdain which 'Wessies' have developed for 'Ossies' since unification.

But in fact the western press fell over itself to be fair. As the *Saarbrucker Zeitung* put it: "When the fastest woman in the world has bought her sprint prowess at a pharmacy, she can expect no pity. But the urine-exchange game is not a specifically Ossie problem. In the west the test-water frequently changed ownership but only minor sinners were caught in the old federal states."

Neue Presse of Hanover concurred. "The Krabbe ban must not result in a political campaign against the Ossies, not every Saxon won thanks to the syringe." Another paper noted that the German Olympic medals at Albertville were largely the product of the old GDR which has given rise to a new saying: "Thuringia beats the USA."

But nobody, as far as I could see, had actually said the affair proved just how awful the Ossies were. What all this shows is that right-minded people in Germany are so afraid that any exposure of sin and error might become an occasion for persecution, that they leap to the defence of the potential persecutee even before a fist has been raised.

Unlike the French. To be fair they did not exactly rush to the defence of Messrs Moscato and Lascubé who got expelled from the France-England rugby match last Saturday, and then were banned for several months.

But the rugby brawl did lead to much questioning of Anglo-French relations. So this is not a tale of rugby but of life itself.

Numerous papers reproduced the work of a news agency piece which could have been entitled, "As they say in England." It summarised the comments about the French of British rugby reporters: "Animals, savages, wild, shameful."

French rugby writers believe their players will be seen as a bunch of thugs whatever they do. As a result, the theory runs, the (northern) Irish referee, Steve Hilditch, went on the field prepared to find the French guilty of everything. In an editorial in *Le Figaro*, Jean-Pierre Lacour wrote that international consultations were necessary; "In the future Mr Hilditch must not find himself in a context where, quite naturally, a Frenchman is more suspect than an Englishman."

Gerard Baudouin wrote in *France-Soir*: "There is no doubt that Mr Hilditch started the match with pre-conceived ideas." The nub of French case was not that each decision taken in isolation was necessarily wrong (although some were) but that it was taken in a context that ignored other relevant events.

In fact the French "defence" reflects exactly the difference in the ways the English and the French approach everything. Thus the French argue that last Saturday's shambles was only partly the product of French thuggery; it was also the reflection of a specific historical situation.

The violence needed a trigger which turned out to be two highly controversial decisions which led to England being handed six points by the referee at a time when they were one point behind.

This may seem boring to those who have no interest in Rugby Union but it explains why the English and the French will always squabble. What the latter see as central events in this affair might occupy the court for a whole day if it came to a trial in France but would be inadmissible as evidence in England. And that matters when the English put the French in the dock.

A novel solution to the impasse was proposed. M Lacour in *Le Figaro* suggested that the French Rugby Union should study infractions and their punishment in British games. And, he said, English players had to be told that the Five Nations Tournament was not the Hundred Years War.

Fact: The malefactor Lascubé plays for Agen, a town that the dauphin agreed to cede to Edward III in 1360. The French broke that agreement.

■ *James Morgan is economics correspondent of the BBC World Service.*

Golf/**John Hopkins**

The decade of the oldies

Neil Coles: expected to play in the tour for senior golfers

IN GOLF the 1980s was an age of excess. The 1990s are different. They will have an excess of age. This is no bad thing.

Last week there were two separate signs that to be old is not necessarily to be forgotten. First came the launching of *The Oldie*, a magazine edited by Richard Ingrams for those in middle age. Hardly had that hit the streets than the PGA European Tour announced the start of a tournament circuit for senior professional golfers, ie those over 50.

A minimum of eight tournaments with a total prize money fund of more than £500,000 will be staged in England, Wales, Ireland and France between April and October this year. At some of these venues you will be able to see men who will take you back to the '70s, '60s, even the '50s, men like Neil Coles, Gary Player and Christy O'Connor. "I am tempted to get my clubs out," Peter Alliss said last week on hearing about the proposed new tour. Then he added: "There's no fool like an old fool."

In launching this tour golf is following a trend to longer participation in sport, a trend that has become more apparent recently. Both swimming and skiing have their Masters' championships with age-group categories as high as 75 and over. If you are a rugby supporter you will be familiar with the Golden Oldies rugby events for men over 35.

Why are we playing sport longer? Because as a race we humans are generally healthier than ever with more leisure time and money on our hands. And in Britain, at least, we are living longer. In 1961 the average life expectancy of a man was 57.9 years. In 1988 it was 72.4. A consequence of this is that the numbers of those over 60 are increasing. There were 7.8m men and women in this age category in 1961. By 1990 that had risen to 10.5m and by the year 2030 it is projected to be 14.1m.

Golf is an ideal game to be played later in life, more suitable than violent, body-damaging games such as rugby and soccer. It is also one of the best, if not the best, at which to combine business and pleasure. The courses may need to be shortened and perhaps flags should be placed in less terrifying positions on the greens but in many other respects the game is the same for a 45- or 55-year-old as a 25-year-old.

Lee Trevino slogged wearily through the last few years on the US men's tour until he could become eligible for the senior tour. "I'm tired of playing against the flat bellies," sighed Trevino as he approached his 50th birthday. "I want to play against the round bellies." And when he did he thought he had died and gone to heaven. The man who was born into extreme poverty and never knew his father won seven events and more than $1m in his first year. That memorable year he was the leading money-winner in all golf, not just seniors' golf.

The inaugural season of the seniors' tour reminds me a little of the early years of the mens' tour. Prize money is small – £60,000 or less at seven of the scheduled eight events, which is chicken feed compared with the average purse on the men's tour of nearly £400,000. Whereas the men's events invariably start with a pro-am on Wednesday followed by one round each day, concluding on Sundays, the seniors will more often than not be three-day events including the pro-am.

To my mind, seniors' golf is to be championed as much as three-hour rounds and golfers who carry their clubs. It bears far more relation to the standard of golf that most of us play than does the sort of golf demonstrated by Nick Faldo, Ian Woosnam and the like.

My idea of a nightmare would be to partner Seve Ballesteros in a pro-am because I would be so nervous I would be shaking in my shoes. A heavenly pro-am partner, on the other hand, would be Peter Alliss, if only I could stop him talking. With him there would be no shortage of gossip and with a bit of luck he would correct my hook.

Men of 50-plus are more interesting to talk to because they have knocked around a bit. They have learned to show a genuine interest in their pro-am partners and are no longer as self-centred as they were when they were younger. They are more aware of their duties in a pro-am, less likely to intimidate and might even fluff the odd downhill chip. And they can still play golf a bit.

I am in favour of this tour. Deep in the most severe recession many of us have ever known is hardly the most auspicious time in which to launch a project such as this. Yet it is 21 years since the start of the European Tour itself and look how that has grown. Perhaps one day soon we shall be talking about a seniors' Ryder Cup?

The Vento will be offered with airbags for about £500 a pair. In a crash they help save injuries

Motoring/**Stuart Marshall**

Safety first as VW goes for airbags

LOOK back over the past 50 years and you find that what started out as unique features of cars then became commonplace and finally turned into essential equipment no buyer would dream of doing without.

Take heaters. The first volume-produced British car to have one was the Austin 16 of the late 1940s. It took the chill off the inside but, as mature drivers will recall and young owners of collectable motors have discovered, if you wanted fresh air you had to open a window. Within 10 years, though, drivers of all but the cheapest vehicles had proper through-flow heating and ventilating systems which de-misted and de-frosted as well as keeping them warm.

Other features first seen as revolutionary, but which soon became conventional, were independent suspension, five-speed transmissions with synchromesh on all gears, heated rear windows, radial-ply tyres and ABS (anti-lock) brakes. Most of today's motorists can have little idea what it is like to drive cars without screen-washers, radio/tape players, outside mirrors and double dipping headlamps, and with safety belts – if you wore them – that pinned you immovably in your seat.

Not all innovations have caught on. Two that came post-Second World War from the US and soon died in Europe were bench-type front seats and steering column gear-shifts (although both are still alive and well in the medium-size Toyotas and Nissans used as taxis in Japan). But two other US-inspired items, the catalytic converter and airbag, will fare better in Europe.

The converter, invented to solve the smog problem in a few Pacific-coast cities, will be compulsory for all new petrol-engined European cars from next year. (Never mind that it has failed to clean-up California's air and diverted attention from the real, long-term answer – the development of lean-burn engines that reduce pollution by using far less fuel).

> *'They are meant to supplement seat belts, not replace them'*

So far, the airbag has played an insignificant part in reducing injuries and deaths to car occupants in Europe. There are two reasons: it has been very costly and seat belts must by law be worn in all European countries. In the US, there is no such requirement and only a minority wear them – an odd situation for a country that is, otherwise, bag-ridden by consumer protectionists.

By itself, an airbag is much less effective at preventing injuries than a lap and diagonal seat belt. But, used in conjunction with belts – especially the kind that tighten automatically at the moment of impact – it offers a very high degree of protection.

Mercedes-Benz invented the airbag and first fitted them to cars sold in the US in 1980. About 700,000 Mercedes cars with bags are in use round the world, although not many of them in Europe. Airbags have been an optional extra for Mercedes' buyers in Britain since 1984 but, at £1,433 each for driver and front passenger, there were not many takers. Last October, driver-side airbags were made standard equipment on the new S-class, the SLs and the 500E. And the option price for lesser models was almost halved, to £750 apiece.

Now, Volkswagen has said that, for just £500 a pair, buyers of the new Vento (a booted Golf that arrives in Britain late this year) will be offered airbags for drivers and front passengers. These "Euro-bags" are cheaper because they are smaller than those fitted by Mercedes. They are meant strictly to supplement seat belts, not to be used instead of them (as do many US drivers of cars with airbags). Their main job is to lessen the risk of facial injuries.

Volkswgen's offer of cheap Euro-bags to Vento-buyers is courageous, It seems likely to be as trend-setting as was Ford's decision eight years ago to make ABS brakes standard on every Granada.

Tennis

Now Courier is the target

***John Barrett** on the rise and rise of the Dude from Dade City*

IF HE had not been involved in an almighty row in a Rome car park last May, Jim Courier, the personable American from Dade City, Florida, might not now be the world's No.1 tennis player.

After being confronted by his two coaches, Jose Higueras and Brad Stine, who accused him of not having the guts to be a great player, Courier came to terms with his own fears of success and immediately won the French championship. His upward progress since then has been remarkable.

For the past two weeks, though, the Dude from Dade (I suppose it was inevitable!) has discovered the truth of that old saying about life being tough at the top. On Saturday, February 8, the dynamic 21-year-old beat California's Derrick Rostagno in the semi-finals of a tournament in San Francisco and overtook Sweden's Stefan Edberg at the top of the ATP Tour computer rankings. From that moment, he was there to be shot-at.

The first shots were fired the very next day by Michael Chang - and very accurate they were, too. The diminutive American, ranked 16 at the time, beat Courier 6-3 6-3 - perhaps to remind him that he owed Chang a debt. For it was Chang who, in 1989, became the first American winner in Paris since Tony Trabert in 1955.

Last Sunday, in the Brussels final, Courier found himself facing another man with something to prove.

Boris Becker, like Edberg, had asked the organisers of the Donnay Indoor for a wild card. Becker's mission was simple. A year ago, he had at last become the world's No.1 by beating the holder, Ivan Lendl, in the final of the Australian Open. "It was the greatest moment of my life," Becker said at the time, "the culmination of a dream."

Edberg ended that dream by taking the No.1 ranking away from Becker twice in 1991 and, finally, keeping it. So, in Brussels, Becker wanted to beat Edberg to begin the repair of his ranking, which had slipped to No.5.

Then, too, he had a score to settle with Courier. He wanted to show the American upstart – who, three weeks ago in Melbourne, usurped his Australian crown – that his own surprising loss there to John McEnroe was a mere accident. (Actually, McEnroe had quite a lot to do with it, I can assure you).

When Becker beat Edberg convincingly in their Brussels semi-final last Saturday, Courier said he expected a difficult final against a man he had never beaten in three previous meetings. How right he was. Although the American played well, wielding those ungainly but effective ground strokes with great energy and skill to win the first two sets and create three match points in the third set tie-break, Becker played even better.

The powerful German, all determination, saved all three match points with positive, attacking play and went on to win a marvellous encounter 6-7 2-6 7-6 7-5 7-5. It lasted four hours and 56 minutes, the longest final in the two-year history of the ATP Tour, and Becker played as well as I have seen him for years. At last, he was serving and volleying again instead of trying to prove he is a great base-liner – which he isn't and never will be.

> *'He has already discovered that life is indeed tough at the top'*

It has been a particulary tough baptism for Courier, and this week in Stuttgart he has had the pack snapping at his heels again. Joining Edberg and Becker were Lendl, Guy Forget, Goran Ivanisevic, and a young man of whom you have heard me speak before: Richard Krajicek, of Holland.

Courier's victory against this young giant on Thursday was particularly significant because it was the match that never was – the semi-final of the Australian Open that could not be played because of Krajicek's shoulder injury. Courier did well to keep the Dutchman at bay because he is the most-improved player in the world over the past six months and really believes he is destined for greatness.

For Courier, though, it will continue, week after week, with the pressure building all the time. That is how it has been ever since the rankings began in August 1973 when the mercurial Rumanian Ilie Nastase was judged by the cold, calculating eye of the computer to be the greatest.

Courier is the 10th man to be ranked No.1, the latest of a distinguished line that includes Jimmy Connors whose continuous 160-week reign from July 1974 to August 1977 is the longest yet. Lendl was only three weeks short of that total when, in May 1983, Connors displaced him to enjoy the eighth of his nine spells at the top.

The full list, showing the total number of weeks each man reigned and the number of times he returned to the summit, makes interesting reading because it is a sort of unofficial ranking list across the generations. In its fashion, it goes a long way towards answering the perennial question - who WAS the greatest? So here it is: 1. Lendl (270 weeks in eight spells as No.1); 2. Connors (268, nine); 3. McEnroe (170, 14); 4. Borg (108, six); 5. Edberg (66, three); 6. Nastase (40, one); 7. Wilander (20, one); 8. Becker (12, two); 9. Newcombe (eight, one); 10 Courier (two, the reigning No.1).

PERSPECTIVES

The secret university

John Kitching on the POW who fooled his Japanese captors

IN MARCH 1942, Frank Bell, a newly-commissioned army officer with a First in languages from Cambridge, was captured by the Japanese. But this is not another tale of misery and deprivation; it is the remarkable story of how a determined man set up an unofficial university in Kuching prison camp, Borneo, right under the eyes of his captors.

Regulations forbade prisoners to teach, learn, compile or possess notes on any subject. The penalty for disobedience was solitary confinement or death. Yet, Bell was able to set up secret classes in - among others - seven modern languages, history, navigation and pig-farming. Diplomas were awarded to successful students, ranking them from British university honours standard down to School Certificate pass level.

Bell died three years ago, before he could complete his record of life in a secret university. His extraordinary tale is now published privately by his widow, Elisabeth.*

From his notes and diaries, a clear picture emerges of conditions at Kuching. There was little food, no furniture, little paper and few books. There was cruelty, to which he alludes only briefly. There were terrible illnesses: Bell himself almost died from diphtheria, many others from beri-beri. Yet, Bell still managed to found his "undercover university," gave it the motto "Artes in Arduis" and brought together those who wanted to study and those who could teach.

"It was entirely Frank's brainchild," says Donald Yates, a fellow prisoner. "No senior officer appointed him to organise study . . . and certainly no Japanese directive encouraged study. Frank supplied the idea, the administration and the motivation to keep it going."

In his early months at Kuching, Bell learned from copies of the English-language *Nippon Times* that Allied prisoners in Germany were allowed to hold classes and lectures. That knowledge fuelled his determination to establish a secret learning centre.

"Paper is a small and common word, but still a magic one to me," Bell wrote later. "What extremities of contrast lie between the luxurious abandon with which I write these very words, taking sheet after sheet of smooth, clean, white paper from the well-filled drawer of my desk . . . and the saving and prizing of every scrap in Kuching days."

The prisoner-students used every possible piece of paper: fly-leaves from books, cigarette papers, government forms, backs of letters, envelopes, soap wrappers, old newspapers. A letter from home was doubly exciting: good news and more writing space. Bell began to make language textbooks and grammars, writing them out laboriously by hand on tobacco paper, sewing them together, covering them in sarong or pyjama fabric and binding them with raw latex from the local rubber estate.

Smokers often were reluctant to give up their tobacco paper. "To smokers, paper was as precious as it was to me and my pupils. Paper fought for pride of place with bread and butter and beefsteaks in the visions of the night," wrote Bell. "In my dreams, I was forever buying notebooks and pens and inks; and even now, though I can walk past a cake-shop without my mouth watering, I cannot pass a stationer's without longing."

The Japanese compromised in one area – albeit slightly. They allowed a small number of books – foreign grammars and *belle lettres* – into Kuching on the understanding that they would be read for pleasure and not used for teaching. Together with his handwritten grammars and exercises, Bell now had the tools for his university.

He canvassed camp members with a double question: What did they wish to learn? What were they willling to teach? "This personal approach proved very successful. I was encouraged that almost every member showed interest. I received a promise of active participation from all but four, who said they were too old to learn or too far gone in mental decay to pull themselves together. One senior officer was not interested in anything but Portuguese; and though I tried everything I could to get hold of a Portuguese grammar, I was not successful, so he did not join us."

Glodok jail, a brief home for Bell before his years at Kuching

Bell drew up dates of terms, tests and examinations and the university was launched with a flourish. Its story falls into two distinct periods of a year each. "The greater part of the useful work was done in the first year," writes Bell. "Although we complained then of hunger, happily for us we had no conception of the degree of hunger, ill-health and frustration we should experience in the second year.

"As far as the university went, the second year was a sad story of decline, though not of fall. Most of the courses other than modern languages had come to an end through exhaustion of material. Many of the linguists had also succumbed but a few, about half a dozen in each language, persevered to the very end, in spite of everything."

The Koan School camp, Batavia, to which Bell was taken in 1942

Bell's French classes were among the most animated. "Sometimes we would tell a story, each taking it in turn to add a sentence or two. Highly exciting and improbable adventures were told around our circles in the dark." Always, though, there was the risk of intervention by a Japanese guard. "When our classes were interupted by the Japs, or when they were being held in the part of the hut visible to the sentries as they patrolled outside the wire, our main method of subterfuge was to produce a pack of cards always left handy. I, who had never played a game of bridge in my life, could then be heard making nonsensical bids of 12 no-trumps . . ."

The Japanese ban on classes was particularly tiresome for Bell and other officers who helped with teaching. "If the Japanese had not totally disregarded the Geneva Convention, we could at least have had some quiet and comfort. The professional teachers among us longed in vain for the orderliness of the classroom," wrote Bell. "To be at a desk with a blackboard beside me, pupils in their places, each with his own book, pen, paper – that was the stuff of dreams!"

Spanish was the most successful language class. Bell taught an advanced group of three pupils ("two of whom knew nearly as much Spanish as I did by the time we finished"). There was also an intermediate group and one for beginners. All groups amalgamated for conversation in the evenings. After the war, Bell had lunch with two members of the advanced class at a Spanish restaurant in Soho, London. It gave him great pleasure to hear them order in Spanish – and get what they asked for.

Essay-writing in the top group was of a high standard, too. Topics included an imaginary dialogue between King George VI and the ghost of Henry VIII, and an appreciation of Cervantes. Pupils were expected to write 1,000 words.

But amid the learning and the fun were the constants of debilitation and death. The officer conducting the chess class died of dysentery; a leading member of the Russian group became desperately ill. Malnutrition affected virtually all members of the university.

At the end of the war, Bell awarded three "degrees" in French and three in Spanish. Many others attained School Certificate level in Dutch, Italian and German. In all, Bell handed out 22 diplomas in what he called a "silent testimony" to the efforts of his colleagues. All bore handwritten assessments of the officer's work and were signed F.E. Bell, MA (Cantab). Later, the diplomas were printed. All were again signed by Bell.

Writing of his own award (for Dutch), he observed: "My own diploma, though it can only speak of my Dutch studies at the good hands of an Australian colleague, has earned a place in my affections as high as my Cambridge MA."

Ten years after the war, Bell realised the dreams of Kuching and founded in Cambridge a school for teaching English to foreign students. Donald Yates, his fellow prisoner-student, helped him to build up the business. Further schools were opened in other English towns and cities and Bell's zest for teaching remained undimmed at his death in 1989.

He re-visited Kuching in 1984 and was delighted to find the Batu Lintang Teachers' College flourishing on the site of the former POW camp where he had established his own secret university.

**Undercover University, by Frank Bell, published by Elisabeth Bell. Available from 14 Chaucer Road, Cambridge CB2 2EB. Price £11.99.*

Wasted lives in the UK's packed jails

David Lascelles joins a City group on a moving morning in prison

DOES society jail criminals to punish them, or to get them back on the straight and narrow? Penal experts have debated these questions for years; some think they are just two sides of the same coin. But on the slim evidence of a recent morning's visit to a jail – Pentonville, in north London – the answer seemed clear to me and other members of a City group I was with. It should be the second of the two.

Our strongest impression was that of waste in the arrangements there – of time, human spirit and, ultimately, public money. Most of the prisoners spend 18 hours a day – sometimes 23 – locked in their cells. They are allowed radios and books, and the more privileged have a common room with snooker and TV. But days are empty and long. You can almost hear morale ebbing and resentment growing. It eats at the self-esteem of those who hope to regain their position in society – or it feeds their lust for revenge.

Pentonville is nearly 150 years old but preserves a kind of grim beauty, at least inside. Its half-star shape has four wings radiating from a central point from which every cell door is visible. The galleries have a classical orderliness, spruced-up with fresh white paint. Outside, it is bleak, bricky and enclosed, with the sound of dogs barking.

The atmosphere feels surprisingly relaxed. Gates clang, warders joke among themselves, prisoners on tasks outside their cells stand in clusters. The heating is efficient; it has to be because of the idleness to which most inmates are condemned. The cells are cramped, blank and barred. The furniture – a bed, a table and a chair – is made of cardboard to prevent misuse.

Cells that until recently used to have slop buckets are being given their own lavatories. But this has created problems. Prisoners smashed the china pans, so it was necessary to replace them with stainless steel. However, slopping-out gave inmates something to do – a chance to get out and mingle with others. Now, they spend even more time in idleness. At least, overcrowding provides companionship.

Meal-times are also a break. The prisoners get three hot meals a day and we saw the kitchen preparing a spaghetti concoction, semolina and chocolate tart. It was not the most appetising food I have seen but the food budget is £12-£14 a prisoner per week. Even meal-times, though, seem designed to reinforce the emptiness of the prisoner's day; supper is at 4 pm, which leaves an aching 16-hour gap until breakfast.

One spark of hope is the Job Club, a little initiative run by charity to help inmates find work when released. In their last two weeks inside, they attend classes to learn interview techniques, play-act interviews and study the results on video. It is a gallant operation run by three people. One is Carole Parker, a diminutive lady who incarcerates herself with a dozen inmates at a time. But although she has a panic button, she has only twice had trouble. "I'd rather be locked in here with 15 inmates than walk along the Holloway Road," she says.

Bill Abbot, Pentonville's governor, says Job Club is the only one of many well-intentioned schemes that he has seen which has "got under the skin" of the prison. It has seen 325 inmates since last March. Of those, 50 are in paid employment, 80 in further training, 10 are self-employed and two are doing voluntary work. All who attend Parker's class complain that no one will want to employ them, so there is jubilation every time one finds a job.

Implicit in these figures, though, is the fact that 142 of those who passed through the Job Club are probably roaming the streets with nothing to do – perhaps, they are back in jail – to say nothing of the many who never attended at all.

The officers told us they see the same faces again and again. The magic age seems to be 26; if a prisoner manages to mend his ways by then, he will probably make it. If not, a lifetime of crime beckons.

The charity behind Job Club was Apex which, by an unhappy chance, announced that it was about to fold only two days after our visit. We were so moved by Parker and her team that a number of our group set about trying to keep them in business. This will either require a sling of private sector money or, as seems possible, intervention from the Department of Employment.

There is a deeper question. Why are 900 prisoners (and thousands of others in the UK) kept in enforced idleness when their time could be put to good use, in training, in education, in rebuilding morale? I do not underestimate the difficulties or the efforts of those who have been asking this question for years. But if we are serious about reducing the prison population, we should be doing more to get ex-inmates back into society, permanently.

It will take money. But I fear that, otherwise, much of the cash we are spending on our prison service will continue to be money down the drain.

FOOD AND DRINK

A homespun new colony

*Long Island's traditional crop – potatoes – is making way for the vine. **Jancis Robinson** reports*

NEW YORK City stretches into the Atlantic along the Forks of Long Island, effectively the extremes of Manhattan. Here, you can find a deli called the Barefoot Contessa selling cooked brussels sprouts and five blends of coffee, four of them decaffeinated, to take away. In cafés nearby, you can order an all-white omelette or cholesterol-free French fries.

Long Island now has a wine industry which, in its way, is also extreme. It is, for a start, extremely young. Wine labels may boast that the relevant vines were planted way back in 1980. (Long Island's first vinifera vineyard for more than a century was planted in 1973 by Alex and Louisa Hargrave, who had to wait six years for the next grape-grower to come along and prove their sanity).

It is also, like many a fine wine region, at a climatological extreme. Further north, in New York state, winters are too hard for vinifera. Only the moderating influence of the surrounding ocean allows the vine species responsible for all the great wines of the world to be grown this far north.

Almost all of the vines planted around the lakes in upstate New York belong to coarser, hardier species .

Vines are now encroaching on Long Island's traditionally dominant crop, potatoes – oddly prosaic for a region famous for providing the famous with somewhere (the Hamptons) to spend their weekends with the equally famous.

Today, more than 1,200 acres of vineyard have been planted, mainly on the North Fork, by about 45 growers and vinified at 15 different wineries.

As in so many other areas of commercial endeavour, the early 1980s were the boom time. An acre of land was then just $2,000 (£1,105); now, it is closer to $20,000.

The odd Manhattanite, associating the South Fork of Long Island with luxury vacations and wine with the ultimate good time, invested in what turned out to be a dream.

They have now been shaken out, according to Dan Kleck, who has worked as a Long Island wine-maker since 1979 and is now introducing malolactic fermentation at the Palmer winery. "They've sold to more committed people who spend two or three days a week out here and might even drive a tractor once in a while. It is a lot better. Fewer egos."

Now that undesirable outsiders have been seen off, Long Island producers are concentrating on the remaining major pests: birds (they are on the main migration route and have to spend about $1,000 an acre on special netting); hurricanes (these are meant to happen every 40 years, not every other year) – and California.

Any California-trained wine-maker comes a terrible cropper in this cool, late-budding climate. "You have to un-learn that California thing," says Kleck.

"Our reds need much longer maceration. Our fruit acids are much higher and our alcohols lower." (A Long Island wine more than 12 per cent alcohol is rare indeed, and chaptalisation – adding sugar to raise the final alcohol level – can be the norm for some vintages).

All of this sounds very European, and Long Islanders have been keen to stretch welcoming hands over the Atlantic. They have invited Bordeaux's top brass to a couple of instructive "wine-ins" over the past few years, along with Australian viticulturalist Richard Smart who has shown how to use every ray of sunlight to maximise ripening.

The wines taste French in structure, if New World in technology: never heavyweight with crisp, bordering on lean, fruit flavours. At last year's New York Wine Experience – a weekend's wine extravaganza organised by *The Wine Spectator* magazine – 1,000 experienced tasters were asked to identify the 1989 Chardonnay from Long Island's exciting new Gristina winery. Well under 2 per cent guessed it came from Long Island; I thought it was a well-made Chassagne-Montrachet.

Chardonnay seems to be particularly successful on Long Island but, unusually, there is potential for dry Gewurztraminers with none of the oily bitterness that dogs California examples. Among red grape varieties, Merlot has shown most form so far (like Washington State 3,000 miles west), although Cabernet Franc has its devotees among those not wedded to the clout of California wine.

Cabernet Sauvignon can be difficult to ripen fully except in a few very well-chosen sites, but Long Islanders claim that part of the problem lies in the American consumer's California-shaped perception of how Cabernet Sauvignon should taste. Blending different varieties is a novel sport that will surely become more popular.

Most of the wines retail in the $12 to $15 bracket, putting them on a par with California's mid-priced varietals; but, like their counterparts who make English wine, Long Island producers sometimes have to labour against local prejudice. Bridgehampton Winery, one of only two on the South Fork, sets its cap deliberately at the big urban market 70 miles west by using the least bucolic image possible – that of Manhattan by night – on several labels.

The typically-spare but Vivaldi-haunted winery building overlooks the sad remains of a vineyard too prone to frost. Undaunted, the jingle-merchant who owns Bridgehampton has acquired land elsewhere. It was there that I was told how Bridgehampton reds would be lightening in style. As he put it: "Our winemaker had a child recently, so his search for immortality no longer has to be diverted into his wines."

Most impressive of a wide range I tasted on Long Island were Lenz Gewurztraminer 1989; 1989 Chardonnays from Gristina and Bidwell, as well as Gristina's 1988 Cabernet Sauvignon (made at Bridgehampton before its own understatedly elegant winery was built); Bridgehampton's light 1989 Merlot; Bedell Cellar's confident and plump 1988 Merlot Reserve; and unfinished samples of Palmer 1990 Merlot and 1991 Gewurztraminer.

Rainy 1989 has been Long Island's only real problem vintage since 1987. As far as the vine is concerned this is clearly a viable, if slightly homespun, new colony.

■ **Pindar and Bridgehampton wines are imported into the UK by the Great American Wine Company, 137 Lavender Hill, London, SW11 5QJ. Tel: 071-924-4500.**
Palmer wines are stocked by Wigmore Wine of London. Tel: 071-374-0088.

Street Food/Nicholas Lander

Magnifique! The crêpe

ASKED TO nominate one dish as the best example of French culinary ingenuity, it would be difficult to find anything from that enormous repertoire more versatile than the *crêpe*.

They are easy to make. All you need for the basic batter is eggs, flour, salt and milk and the patience to let it stand for two hours. The only limit on quantity is the size of your mixing bowl. They can be served both sweet and savoury; filled with ham, mushrooms or onions at the beginning of the meal, or lemon juice and sugar at the end; or as a main course stuffed with crab meat and served with a salad.

Crêpes have also managed to jump social strata with the greatest of ease. They can taste wonderful when bought hot from a French street corner stand where they cost between FFr12 and Ffr18, depending on the filling. You can pay five times that much for the privilege of eating *crêpes suzettes*. These, according to Escoffier's recipe, contain tangerine juice and Curaçao and are mixed – and cooked – in the dining room.

Crêpes highlight the peasant, religious and regional aspects of so much of the best of French cooking. Originally, they were confined to being served on Roman Catholic holidays and were seen as symbols of happiness and good fortune. As the pancake was turned in the skillet, the family would gather round and touch the handle of the pan, coin in hand.

Practically every French region has its own *crêpe*: they are known as *tantimolles* in Champagne, *landimolles* in Picardy or *sanciaux* in Limousin. But *the* French region for crêpes remains western France, particularly Brittany and the city of Quimper with its *crêpes dentelles* (lace pancakes).

Crêpe making in Paris: The only limit on quantity is the size of the mixing bowl

It was in Brittany 26 years ago that I fell under their spell. Reluctantly, I had been sent to stay with a local family in the hope that I might pass my French O-level. As we walked the streets of Rennes, my senses were assailed and language ceased to a problem.

I can still remember that first *crêpe*. Many others followed. What surprised me was not only how good they tasted but also how readily they were available. In England, *crêpes*/pancakes were still an annual treat, eaten on Shrove Tuesday. There was never really enough batter for us all and there was only one combination of flavours on offer – lemon juice and sugar. In France, though, any combination was possible: filled with chocolate spread, apricot or strawberry jam, cherries or almond cream. And there was even the possibility of combining one forbidden fruit with another and sprinkling Grand Marnier over the lot.

No breakfast menu in America is complete without a pancake section. They are offered in all shapes, sizes and flavours – filled with blueberries, cranberries or maple syrup or with bacon, ham and sausages on the side.

In London, after a walk on Hampstead Heath, you can join the queue at the stand run by *La Crêperie de Hampstead*.

But the taste of that very first *crêpe* still lingers. Whenever I arrive in France, I look out for a stall, partly because it is such an evocative symbol of the country and partly because I would love to eat another *crêpe* that tasted quite as good as that very first one.

HOW TO SPEND IT

Penny-pinching chic for the recession

***Lucia van der Post** goes bargain-hunting and finds that even in these straitened times it can be fun*

THERE IS something about February that seems to induce in me a fit of parsimony. This is not normally something that comes naturally, as my husband is the first to rue, but I am taking a perverse kind of pleasure in seeking out ways of spending less without having any less fun.

There are, of course, cycles in patterns of expenditure and few of us remain unaffected by the moods that sweep our worlds.

What is interesting about the current cycle is while some are forced to cut back for the saddest of reasons (unemployment, redundancy, rising costs) others, whose incomes have not been affected one jot by the current economic woes, also feel unaccountably constrained when it comes to consuming.

It is not quite done to go on spending in the old audacious ways. Cutting back is seriously *à la mode*. Conspicuous Thrift is back in vogue.

Designer clothes are being tracked down at *less than* full retail price, houses are being repainted and given a new lease of life with bargains from markets and salerooms, upholstery and stencilling classes are there for the taking, secondhand books are being sought, casseroles and pastas are turning up on tables instead of *foie gras* and *magret de canard*. All it needs is ingenuity, thought and style.

Here for those who feel hard-up and inclined to join the challenge are a few suggestions for ways and means of cutting down without feeling deprived:

■ The ardent bookworm will have noticed that hardback books, once bought lightheartedly, without thought for purse or pocket, have now become a serious luxury.

Every town has its secondhand bookshop but in London the best, for serious readers, is generally agreed to be Skoob, 15 Sicilian Avenue, Southampton Row, London WC1. Mostly rather academically-inclined books but lots of general interest, too.

Joining The London Library, 14 St. James's Square, London SW1 could also be a good move – it would not take many books to recoup the £100 a year fee. You can join almost instantly – just fill in the form and pay up.

■ Secondhand clothes are, of course, the cheapest, if not always the most fashionable, way of dressing.

For chaps Bertie Wooster of 284 Fulham Road, London SW10, is a newcomer. Here the would-be gentleman can kit himself out in authentic gear at a fraction of the full retail price.

Everything is secondhand, all in what its owner calls "really good nick." Dinner jackets can be bought for £75, morning coats and trousers from £75 to £130 and bespoke, tailor-made suits for between £45 and £85. A pair of cords would be £25, tweed suits from £65 to £100.

■ There is many a chic woman who waits for the periodic peripatetic Designers' Sale to bring her wardrobe up to date.

The next are not until June 5 –7. Tel: 071-223-8004 for tickets when you could put your summer wardrobe in order.

Do not forget the charity shops which seem to have become rather *demodé* recently.

I bought a ravishing silky ruffled blouse (ex-Saks 5th Avenue) at my local branch for £3.60 which, though I say it myself, acquitted itself well last week at a chic Parisian party.

■ For those who can dressmake or upholster or make their own curtains The Cloth Shop, 290 Portobello road, Ladbroke Grove, London W10 (tel: 081-968-6001) is well worth knowing about.

Most fabrics are sold at half-price. There are wool suitings at £10 a metre, old velvets from £1 to £12 a metre, as well as wonderful collection of old English tie fabrics from the late 1950s.

Then there are designer fabrics from people such as John Galliano and Arabella Pollen and at the moment a collection of Ralph Lauren blankets for £80 (normally £300.)

■ When it comes to furnishing the home do not forget the markets – getting up early on a Friday morning to go to Bermondsey, south London, trawling the auction rooms and rooting around in the *secondhand shops still* provides the best bargains and gives homes an interesting and eclectic air.

Eric Geen's Town & Country Auctions in Britain, The Bargain Hunter's handbook (published by the AA, £5.99) is still in print and is still the best guide to salerooms all over the country.

■ The Java Cotton Company, 52 Lonsdale Road, London W11 5BY (some of its wares are photographed top right) sells ravishing hand-drawn and hand-block batik, all made by traditional Javanese methods.

Anyone who has already come across batik will know what truly lovely effects it produces, anyone who does not should hurry along to take a look. Besides selling the handblocked cottons by the metre (£14.75), it also has a range of accessories made from the fabric – table napkins (£2.25), cushions (£18.75) and tablecloths (from £38).

■ Ian Mankin, of 109 Regent's Park Road, London, MW1 8UT, has long been a source of sturdy inexpensive fabrics – all those lovely old-fashioned things such as mattress ticking (£4.75 a metre), striped muslin (£4.50 a metre), calico (£2.00) cricket stripes (£5.80) and cotton net (£1.25).

Now he has opened another branch south of the Park at 271, Wandsworth Bridge Road, London *SW6 2TX*. Look out also for double width linen by the metre, wide enough for a 5 ft 6 ins bed, at £29.80 which means you could make a pair for £165 instead of paying the £235 that currently the lowest priced ready-made version costs.

■ Anthony Thompson currently has some marvellous rugs, carpets, shawls, needlepoint and textiles on sale at very special prices. The market has been seriously depressed all year and if you go along to his shop at 5, Hillgate Street, London W8 7 SP you will find early 20th century needlework chair covers from £20, rugs from £50 and lots of other bargains besides.

■ Then there is our old friend the Next Directory – I cannot recommend highly enough the new spring version. It is beautifully photographed and *filled with highly desirable* clothes and household goods, from simple shorts and trousers, sweaters, the best T-shirts I have yet seen –generous sleeves with dropped shoulders, good necklines in marled blue, grey or cream for £12.99 – to an excellent range of household basics.

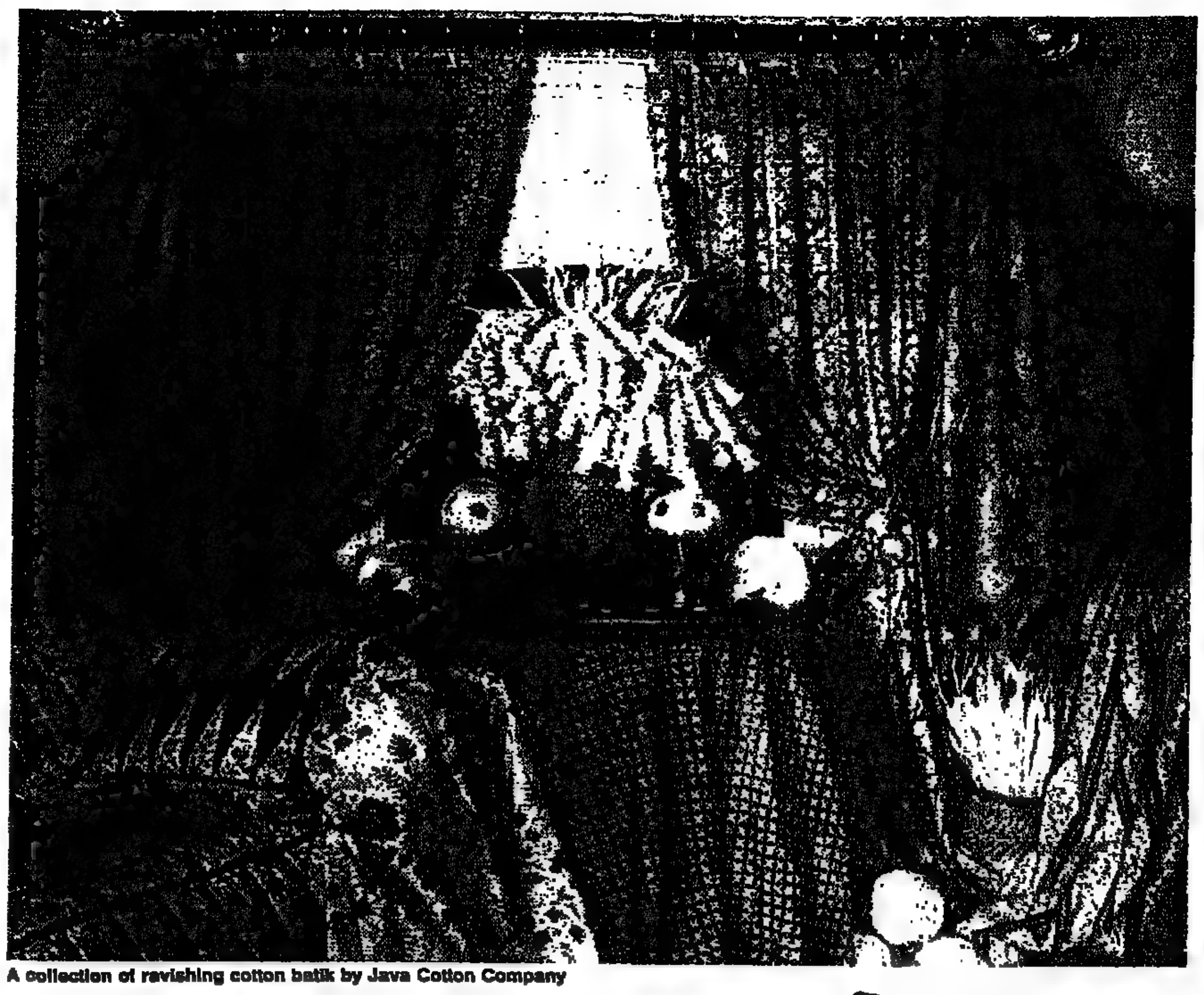
Look for 100 per cent cotton percale bedding at £19.99 for a single sheet, chambray bed linen at £29.99 for a single duvet cover and plain ridged glass bowls (photographed below) at £16.99 for four. Well worth sending for. For the catalogue (£1) tel: 0345-100-500.

■ And now, having saved all that money, what about a treat?

Hartley Safaris have, at the request of four *Weekend FT* readers who came with us to the Kalahari and the Okavango delta two years ago, put together a very special trip to the remote Kalahari Gemsbok Park, the Etosha pan, the Skeleton coast and the Namib desert.

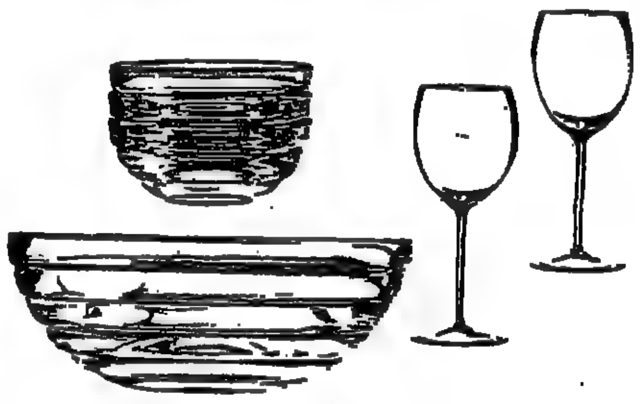
It will be a privileged group of just ten readers and some smashing guides – eight places are booked, only two places, which will go to the first takers, are left.

It runs from April 24 - May 8 and costs £4,579 each. Full itineraries available from Hartley's Safaris, 12 Queensberry Mews West, London SW7 2DXU. Tel: 071-584-6005.



A collection of ravishing cotton batik by Java Cotton Company

Ian Mankin's eponymous shop, filled with fabric favourites



Glass bowls and wine glasses from Next Directory

Outdoor chair, £49.99 for two, from Next Directory

FOOD AND DRINK

***Philippa Davenport** and **Giles MacDonogh** and their tasters try commercial stocks and supermarket soups – with surprising results*

Designer ladles can be costly

LEFT TO my own devices I should be quite happy with a bowl or two of soup at lunchtime. Unfortunately, my life does not always allow for such simple solutions; but there are generally three or four days a week when I get away with it, writes Giles MacDonogh.

Over the years a good deal of agony has gone into finding the right solution to the problem of lunchtime soup. These days I tend to keep over some cooked vegetables from the night before and ally them to something fresh that I can mince up fine.

Some stock (if nothing else the pots from Sainsbury will do) activates the mix. The process has taken ten minutes so far, and in ten minutes I will have wholesome soup. I use no thickeners apart from a tot of cream if that is to hand. These soups can be simple or eccentric, occasionally even baroque; but I like them and only I have to eat them.

It was not always so: in the old days I used to peruse the supermarket shelves for commercial offerings. Tinned soups do not tempt me. Occasionally I have bought jars of French fish soup but these work out expensive and half has to be put back into the fridge to be eaten the next day at the latest.

It was for this reason that I was originally excited by the chilled soups produced in cartons by the New Covent Garden Soup Company: the soups filled two bowls; monthly specials added to a range which grew ever broader; the packaging looked nice. In short, the producers led you to believe that this was soup as mother made it.

But it was not. Since the soups were launched I have tasted virtually all of them with the exception of high-octane blends such as brussels sprouts and chestnuts. The soups are sticky with flour and lacking in flavour. An obsession with vegetarians has meant that meat stocks are often shunned. When they are used (in the chicken and coriander, for example) they tend to be greasy and unappetising. More recently, I have tried a couple of fish soups and found neither of these exceptional. Covent Garden drove me back to the chopping board; for this reason alone I offer thanks.

The New Covent Garden Soup Company has been a runaway success. Rare is the sandwich shop that cannot offer its soups for the office kitchen.

Naturally, the supermarkets would also like to cash in on the chilled soup business but something has prevented them from making a go of it. For a while Sainsbury joined Waitrose in putting out an own-label soup bought in from Covent Garden but they have since abandoned the practice. Will Sainsbury's and other supermarkets make a come-back with soups of their own? Watch this space.

> *'There was enthusiasm for M&S minestrone'*

For the time being there are just Waitrose and Marks & Spencer, with the latter buying in soups from other suppliers. Last week, I obtained samples of the ranges offered by both supermarkets and, assembling a team to taste them with me, I gave myself over to chilled soup.

Both Waitrose and Marks & Spencer produced a tomato soup. The Waitrose came with (dried) basil. Neither had a fresh tomato taste. M & S was billed as a cream and advertised some fancy ingredients such as Mascarpone cheese. People were chiefly put off by the "day-glow orange" colour of the soup. The M & S nonetheless won by a head.

Waitrose's French-style fish soup was similar to Covent Garden's offering in this line. My jury found it watery and I found one of them poking at a sad, rubbery piece of crab she had found at the bottom. A professional chef described it as "weak court bouillon."

The M & S bisque was the colour of plaster. The floury texture found few takers but it was a mite more popular than the Waitrose soup.

The Waitrose scotch broth with its peas, carrots and barley seemed indistinguishable from a canned soup; while an oxtail soup from M & S reminded everyone of gravy. More positive criticism was meted out for the Waitrose winter vegetable although there were grumbles about "dried garlic" and stock-cube stock.

Genuine enthusiasm greeted the M & S minestrone. It looked impressive in the pan and neither pasta nor vegetables were overcooked. No one detected the parmesan announced on the pot but the garlic found favour.

The M & S mushroom was also well received. One of the jury went so far as to say that: "It's like mushroom soup you make yourself."

M & S leek and potato also scored over half marks with the caveat that it could be "leekier."

"Might be better cold," wrote one.

All the soups produced two scant servings. This made them suitable for lunch or as a preamble to a meal for two. Prices started at £1.30 so it would make no financial sense buying two pots for four; especially given how cheap and easy to make soup is.

The only soup in the range which could not have been quickly produced was the oxtail, but nobody liked this anyway.

A lunch-hour slurp

A few short-cuts to home-made soups

LORD Curzon, the former flamboyant viceroy of India and stickler for form, would have disapproved. So will those who perpetuate the old etiquette of serving egg dishes at lunchtime but *never* at dinner, and soup precisely the other way round, writes **Philippa Davenport**.

I breach this code of conduct frequently in summer and almost daily in winter. Good soup is solace and comfort, food and drink conveniently rolled into one, and I rate a bowl of the piping hot stuff as an essential reviver after a morning at my desk.

The soups that I eat are home-made. This is not because of some purist cookery writer snobbism. It stems from the simple observation that home-made soups taste much better than the commercial sorts I have tried and, whereas the superiority of home-cooking over shop-bought sometimes depends on mastering special culinary skills, possessing a *batterie de cuisine* or spending long hours at the stove (or even all three), soup-making is a doddle.

The recipes that follow, although fast and easy to do, are not quite as speedily achieved as unzipping the cartons of commercial soups that **Giles MacDonogh** has been dipping into. They can, however, easily be cooked, eaten and washed up within a lunch hour. They could of course be served at dinner – and so gain Lord Curzon's approval.

For the sake of speed I have incorporated a few short cuts. One soup is made with frozen spinach, rather than fresh, which is not worth eating as a vegetable but acceptable for soup-making. The other uses leftover mashed potatoes, a commodity to be found in this house only if I deliberately cook more potatoes than needed for dinner the night before.

Normally I use home-made chicken stock as the liquid base for my soups but to tie in with the "almost instant" theme of this week's column I have used shop-bought versions here. To my surprise and that of my co-tasters, we found, in blind samplings, that we preferred stock cubes to the much more expensive and supposedly superior liquid stocks now on sale at some supermarkets and delicatessens.

Jurgen Langen's poultry stock (sold in a glass jar at approximately £1.59 for 500 ml) got a thumbs down rating: low on poultry taste, and possessing the gluey quality of canned consomme, not entirely unpalatable but not really stock-like.

Sainsbury's fresh chicken stock (available from 100 branches at 95p per 284 ml carton) met nose-wrinkling dislike all round and got bottom marks. It was condemned as unchickeny, the onions, celery, leeks, carrot, garlic, thyme and other flavourings seeming to outweigh heavily the taste of the bird. A very disagreeable after-taste also caused comment.

Waitrose own-label chicken stock cubes (12 cubes for 65p) were marginally preferred to Knorr (eight cubes for approximately 73p) by most tasters, though we all agreed that both brands need to be diluted with more water than the label instructions suggest.

The best of the commercial bunch by a long chalk, but still a very poor second to the home-made chicken stock, included in the blind tasting, was a relatively new brand, Just Bouillon cubes by Kallo (six cubes cost 65-75p).

Jointly and severally we rated this as pleasant and unaggressive, with a mild chickeny flavour that bears some resemblance to the real thing. The fact that it contains no monosodium glutamate, no E320 (butylated hydoxyanisole) and no yeast extract will please those with special dietary problems.

There are seven stocks other than chicken in the Just Bouillon range. For further details and stockists contact Kallo direct. Tel: 081-890-8324.

LEEK, POTATO AND CORIANDER SOUP

Fresh potatoes can of course be used instead of leftover mash. Dice them small to cook them quickly when speed is of the essence. The soup cost me an eminently modest £1.77 to make and it will serve six.

1 lb mashed potatoes; 1 lb leeks (trimmed weight); a bunch of coriander; 3 tablespoons extra virgin olive oil; 2½ pt light chicken stock or salted water.

Slice the leeks and simmer them in the liquid in a covered pan until tender but do not cook them so long that they are robbed of freshness.

Strain off the cooking liquor and work most of it in to the potatoes, pouring it on slowly and beating the potatoes with a wooden spoon to make a creamy smooth mixture.

Whizz the leeks in a food processor with the olive oil and a handful of coriander. Stir the fragrant green puree into the potato. Wash out the processor bowl with the rest of the cooking liquor and add it to the soup. Reheat gently, stirring occasionally, and season with salt and pepper.

SPINACH SOUP WITH ANCHOVY CREAM

Inspired by a favourite dish of spinach souffle with anchovy sauce from Langan's Brasserie, the Mayfair restaurant, this soup will serve five and costs about £2.30 to make.

1 lb frozen whole leaf spinach; 1 pt chicken stock and 1 pt water; the juice of half a lemon; freshly ground nutmeg; 1 x 2 oz can of anchovy fillets; ¼ pt thick cream mixed with 3 or 4 tablespoons milk.

Cook the frozen spinach in the stock with the lemon juice, some salt, pepper and a very generous grating of nutmeg. Whizz the mixture to an emerald green puree in a food processor and return it to the pan. "Wash out" the processor bowl with the water, add the green freckled water to the soup and reheat.

While the spinach is cooking, tip the anchovies and their oil into a small pan. Place over low heat and mash and stir with a wooden spoon until the anchovies disintegrate. Then pour on most of the milk and cream mixture. Stir to blend and heat through well.

Stir the remaining milk and cream mixture into the basic soup to enrich it a little, and check seasoning. Finally, drizzle the hot anchovy cream over and through the soup in marbled swirls, and serve.

Screen

Wit, wisdom and musings on mortality

WE ALL feared that attending the Berlin Film Festival after the Wall came down would be like watching a tennis match without a net. No more clearly structured ideological cut and thrust in this most political of movie events.

But festival director Moritz de Hadeln is a master at replacing one cold war with another. When the Soviet Bloc drops out as a public enemy, he finds a substitute in the international Press. This year we film critics – what have we done wrong? – have had to bus or taxi daily to the remote snowbound "Kongresshalle": a large ugly building shaped like a hat where we spend all day watching films far from the other guests who watch theirs in the comfortable, centrally located Zoo-Palast.

Nigel Andrews reports from the best Berlin film festival in years

The good news – we needed some – is that the films have distracted us from the venue. They are better than at any *filmfestspiele* I can remember. De Hadeln has a prodigious record of luring Hollywood to Berlin, maintained this year with Woody Allen, Paul Schrader, Lawrence Kasdan and Martin Scorsese among the US directors represented. Meanwhile Eric Rohmer, Istvan Szabo and Gillian Armstrong fly their films in from other climes, and around the main competition cluster quality sideshows like the Panorama and Young Film-Makers Forum.

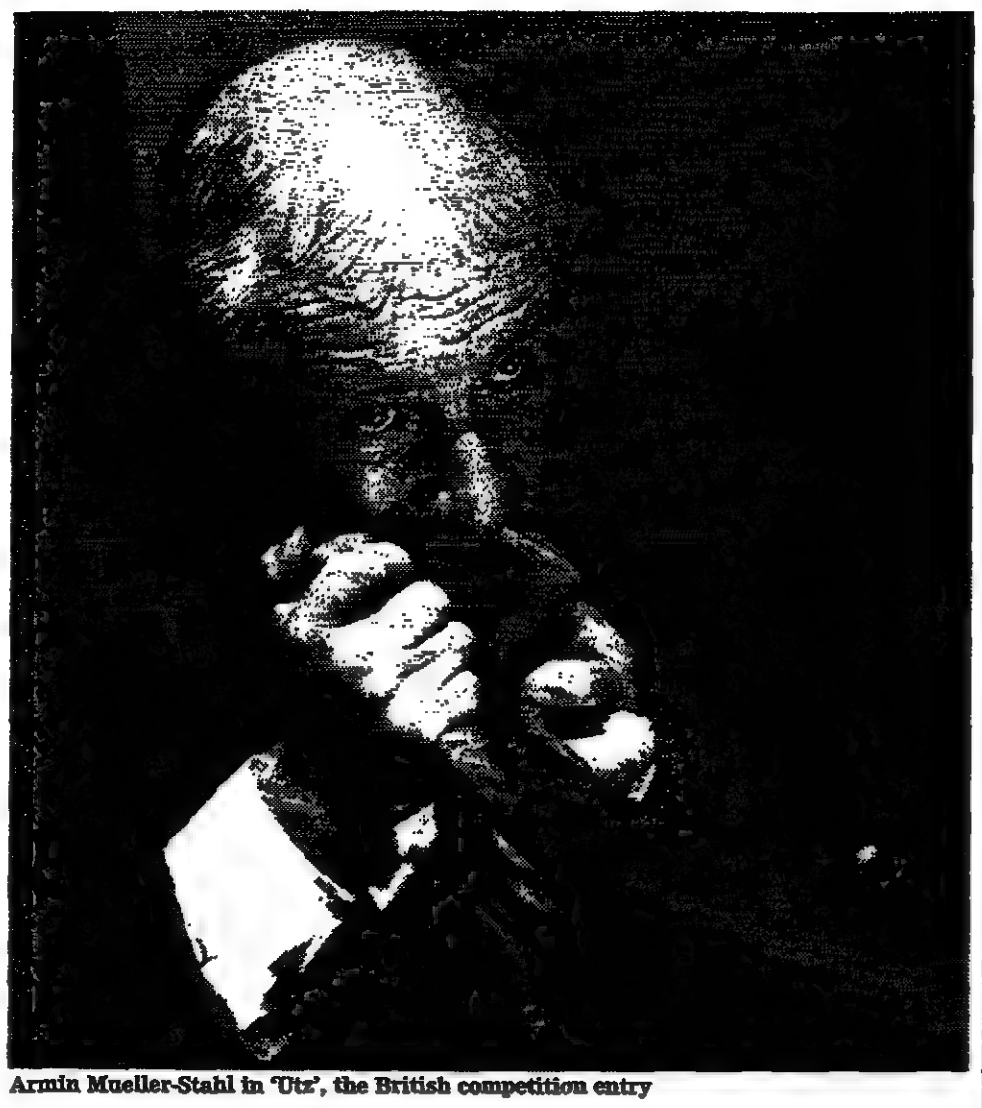
Show-stealers to date are Woody Allen's *Shadows And Fog*, Rohmer's *A Winter's Tale* and two films from Finland's Kaurismaki brothers. Allen's black-and-white comedy is 85 minutes of spoof German Expressionism set in a Europe where nothing has changed since Fritz Lang's *M*. A murderer is at large in a fog-shrouded town; Woody Allen plays "Herr Kleinmann", a small worried member of the citizens' posse; and Mia Farrow is the girl he falls for after she has escaped from her circus lover (John Malkovich) and spent a night in an all-star brothel (Jodie Foster, Lili Tomlin, Kathy Bates).

Allen's brain is one of the great if unpredictable organs of the 20th century. We are glad to report that *Alice* doesn't live there any more, that last winsome aberration is succeeded by this gloriously witty tale of love and death. *Shadows And Fog* benefits not just from Allen's own presence, here at full comic throttle, but from strength-in-depth acting and an exquisitely patterned plot. More on its imminent UK opening.

In *A Winter's Tale* French winemaster Eric Rohmer removes the corks from three garrulous souls – pretty Felicie (Charlotte Very) and the two lovers she must choose between – and watches as they chatter away *sans cesse*. Rohmer's characters are human champagne bottles. They scintillate long after being opened as we onlookers wonder: Will Felicie choose middle-aged Max or pale intellectual Loic? Or will she wait for her long-lost holiday lover Charles to whom, five years ago, she foolishly gave the wrong home address? Plato, Pascal and other pensive matters are woven into the sun-fresh naturalism of style.

Rohmer and Allen were in the main event. Mika Kaurismaki's *Zombie And The Ghost Train* arrived at a remote platform called the Young Film-Makers Forum. But Finland is now becoming the world export capital for downbeat movie humour. Mika, hitherto the producer brother of Aki (*The Match Factory Girl*), calls his portrait of an alcoholic young rock guitarist semi-attached to the group "Harry and the Mulefukkers" (sic) a tragicomedy. Never has that schizophrenic definition seemed apter. Even at its funniest – the hero's adventures in the army, his ill-starred love life – the film has a sense of melancholy paralysis. Even at its gloomiest it presses a tongue slyly into its cheek.

Mika's brother Aki brought his own two-tone movie to Berlin. His new film *La Vie De Bohème* is a deadpan comedy with musings on mortality. Shot in French in black-and-white, the film turns Henri Murger's Parisian stories (source for Puccini's opera) into a modern-dress spoof on artistic attitudinising. For 90 minutes we could be watching Tony Hancock's *The Rebel* re-envisioned by Samuel Beckett. Then the fine-tuned dialogue and deadpan-festive cameos (Samuel Fuller, Jean-Pierre Leaud, Louis Malle) give way to something more sombre: a dying Mimi and a tragic pay-off not quite so persuasive as brother Mika's.



Armin Mueller-Stahl in 'Utz', the British competition entry

When we wander into well-known cities in modern cinema, we no longer have any idea whom we will meet. After finding Woody Allen in Expressionist Europe and Sam Fuller in modern Paris, in the British competition entry *Utz* we find Dutch director George Sluizer (*The Vanishing*) directing an Anglo-Irish-German cast (Armin Mueller-Stahl, Brenda Fricker, Paul Scofield) in an adaptation of Bruce Chatwin's novella.

Exhilaratingly it works. Exhilaratingly too in a festival obsessed with mortality (it must be the *fin de siècle* factor), the tale of a Czech porcelain collector (Mueller-Stahl) hoping to take his treasures beyond the grave has a comical-tragical richness and a feeling for the crepuscular beauties of Prague.

Sadly the BBC, who co-funded the film, threaten to deny it a UK theatrical release. They should be protested to immediately. Britain makes few enough good films without our throwing them away on the small screen with no large-screen exposure first.

Not all has been magic and mastery at Berlin. An ill-informed festivalgoer could have sat through 48 hours of rubbish in the first week if not pointed in better directions by kindly colleagues. He could have endured Kei Kumai's turgid *Luminous Moss*, a Japanese film about man eating man that gives cannibalism a bad name; or Lizzie Borden's *Love Crimes*, a do-it-by-numbers rape thriller; or Jan Troell's *Il Capitano*, about two Swedish youngsters who go on a murder spree but not before boring us first with their life stories.

Then there were the high-hopes entries that crashed on take-off. In Gillian Armstrong's *The Last Days Of Chez Nous* a group of ageing, charmless Australian hippies play musical beds. In Hungary's *Sweet Emma, Dear Bobe* film-maker Istvan Szabo takes a serious subject – his country's fears and disillusionments after liberation – and sketches it in coarse, caricatural strokes. And in David Cronenberg's *Naked Lunch* the Canadian director of *The Fly* and *Dead Ringers* converts the famed William Burroughs opus into – well, into what? A sort of droned reverie, filmed in a studio-built North Africa prowled by monotone voice-overs and the odd engaging monster.

There is always, in extremis, Hollywood. What better subject for Berlin's annual retrospective than Hal Roach, the 100-year-old silent comedy producer who introduced Stan Laurel to Oliver Hardy? Mr Roach was in Berlin himself, a sprightly, smiling centenarian.

And in the competition Schrader's *Light Sleeper*, Scorsese's *Cape Fear* and Barry Levinson's Oscar-nominated *Bugsy* promise to enliven the final days. So does Lawrence Kasdan's *Grand Canyon*, of which I have had a sneak preview. This is the best film in years from the maker of *Body Heat* and *The Big Chill*: a giant flirtatious soap opera about interconnecting lives in Los Angeles. The varied cast – led by Steve Martin, Kevin Kline, and Danny Glover – show us what happens when Lotusland is attacked by human pest life. Muggings, gang warfare, sexual assault. You thought they were obtainable mainly in New York; you can now find them wholesale in L.A. Kasdan's film is serious, funny, painful, cautionary and enlightening: much like the 45th Berlin Film Festival.

Parallel lives turned upside down

HOWEVER much he may wish it otherwise, Graham Swift is still branded as the author of *Waterland*, one of the most impressive and resonant British novels of the 1980s. Yet that book's dynastic breadth and pungent sense of place do set it apart from the rest of his output. The books that have followed over the last ten years have burrowed ever inwards, worrying at the ways in which we muddle through our lives, painfully map out our worlds, make emotional deals and compromises.

So the tone and poise of *Ever After* are instantly recognisable. Although the first-person narration is rather querulous this time, the interlocking of narratives and their historical backdrop is distinctive. After the death of his wife Bill Unwin, third-rate academic and recently failed suicide, has washed up at an Oxbridge college courtesy of a fellowship set up by his step-father's fortune. As he surveys his own past and strives for academic credibility Unwin disinters the life of a distant ancestor – one Matthew Pearce, Cornish surveyor, whose notebooks and letters chart his intellectual struggles to come to terms with the rising tide of Darwinism in the 1850s, and reveal how eventually his marriage is torn apart by his loss of faith.

Pearce sacrifices his wife and family to his unquenchable ideas, his total loss of religious certainty. The certainty that Unwin has just lost is his wife Ruth, a glamorous, successful actress; he shares the world's wonder at the perfection of their marriage, takes it perhaps as redemption for a life torn between the love for his mother and the knowledge of her part in his own father's suicide.

Swift's subject matter and some aspects of its treatment seem oddly familiar. It's difficult not to compare his meshing of 19th-century ideas and mores with present-day academic life against that in A. S. Byatt's *Possession* (and even its pairing of a contemporary love story with a tragic Victorian one), while the reverberations of an intellectual world turned upside-down by the Darwinian revolution carry their own echoes of Carey's *Oscar and Lucinda*. But Swift's achievement does not attempt to compete with either of those Booker prizewinners; his scope and ambition are more narrowly focused than theirs, and his success more intermittent.

EVER AFTER
by Graham Swift
Picador £14.99, 261 pages

Ever After moves in fits and starts. At one moment it seems too irritatingly knowing, keen to tease its readers and lead them on; at others it is limpid, unadorned and affecting. Along the way there are the hard little nuggets of carefully packaged historical fact – discursions on Brunel and the Great Western Railway, bee-keeping, the raising of the William pear. But it is the most intimate sections that burn fiercest, the fond remembrances of Unwin's marriage that move most.

Pearce finally sets sail for America, seeking a new life to match the new world of ideas he has acquired at so great a cost; anticlimactically he is reported lost at sea. Unwin has survived, despite himself, to tell these parallel tales. "You see what this new me is like", he self-consciously confides in the opening pages: the trouble is that we don't like what we see, and doubt whether we would have cared much for the "old me" either. He botches his suicide, after rejecting the advances of an academic rival's wife, as if to confirm his earlier observation that "No one dies from love". And he lives on to celebrate the power of that love, even if he never seems to have done anything to deserve so much past happiness.

Andrew Clements

'Waterland' and after

"LITERATURE is about reconciling life and death," said Graham Swift. "If it can transcend the individual life of the artist then it has achieved that purpose."

Death is a subject which must have been much on his mind over the last few years because mortality lies at the heart of his new book. *Ever After* is his fifth novel and, Swift says, his best. The story of an undistinguished academic who has loved and lost his wife, *Ever After* combines Bill Unwin's struggle with grief and his "obsession" with an ancestor, a Victorian who has lost his own wife and family through his disbelief in God and a belief in Darwinism.

"When people say about this book that it's a love story, that's fine by me. If people say it's a story about death and mortality, that's fine by me. That heartens me because everyone has to face their own deaths and everybody, hopefully, will in the course of their life love and be loved. These are very basic things."

Graham Swift: finding his own voice

Ever After is Graham Swift's first novel since *Out of This World* was published four years ago. Now in his early forties, he first began writing in his early twenties when he should have been studying for a PhD. The doctorate in Dickens was never finished but in the 1980s Swift's training paid off and four novels and a book of short stories were finished and published. It was *Waterland*, Swift's story of mystery and history in a "fairy-tale" Fenland, which sealed his reputation and earned him a place on the Booker Prize shortlist in 1983.

Described by one critic as "profoundly and unmistakeably English", a description he disagrees with, Swift has also found many readers abroad. But Swift graciously declines to place himself within any contemporary literary movement. "I feel that I'm an individual writer. I think the process of writing is one of finding yourself and finding your own voice. I suppose I think I have my own voice and I'm certainly not looking now to other writers to give me moral support in my own work."

Swift's new novel, like so much of his work, is very much concerned with how the past shapes the present and how the individual relates to history. "I think everyone has to accept that they are shaped by the past and I explore that fact and I think other writers do it too. As a storyteller you are dealing with what has happened, you are intimately involved with the process of trying to understand the past. History is very closely bound up with the business of narrative."

Narrative and the process of creation is, for Swift, something magical and mysterious. "I begin with some seemingly fragmentary, incidental, little thing, whether it's some scene that comes into my head, whether it's some phrase or sentence, some little image which resonates.

"I want to lay myself open, I want my subconscious to help me. I think novels are in a way dreamt up, that's the best way I can put it. Suddenly there are these strange things going on in your head. In the case of the formation of a book it's like having a very powerful far-reaching dream."

Until *Ever After*, which perhaps might change things, Graham Swift's best hope of immortality through remembrance rested with the success of *Waterland*, a novel which has overshadowed his other work. It's a problem which Swift admits might be made worse by the release later this year of a film version of *Waterland*.

"It's pinned on me this label, author of *Waterland*, which I am very proud to wear. But I suppose mixed with my pride about the success of that book is a little bit of weariness. Whether or not the new book is going to eclipse that I don't know. It's perhaps time that people said, 'well he's not just the author of *Waterland*', but given that the film is coming there will be a lot of attention on the past work as well and there's nothing I can really do about that. It's good to have something around to say well hang on, I didn't just write that book, there's this other one around and it's quite a lot better."

Swift although he has become more and more involved in the filming of *Waterland*, was not interested in writing the screenplay and his loyalty remains, above all, to the novel.

"I'm a novelist and a short story writer," says Swift. "I think it's very important to remember that what fiction is all about is this invisible mental act when the reader sits down with a book silently, unseen, and you hope this marvellous, magical, chemistry occurs.

"That's what I write for. It's a wonderful thing."

Dominic Bradbury

BOOKS

Life more revealing than literature

***Anthony Curtis** considers a strange state of affairs*

"I DON'T like the family Stein", rhymed a pre-war wag. "There's Gert and there's Ep and there's Ein." Each Stein attacked a chosen medium with revolutionary fervour and changed it utterly. But the long-term influence of Gert – on English prose – is the most dubious of their achievements. Gertrude's innovative speciality, the circular sentence – "Rose is a rose is a rose" – has, it is true, become one of the trademarks of post-modernist literature; but today's exponents put much more intellectual muscle behind it than is found in her verbal marking-time. A phrase such as Beckett's "Imagination dead imagine", repeated several times in the work of which it is the title, is not merely an incantation, it precisely reconstructs a state of mind.

In this double-biography, Diana Souhami is concerned with the life of Gertrude Stein and that of her inseparable companion Alice Toklas, rather than any fresh appraisal of Stein's work. Most of it is nowadays little read even by students. The loyal Virago did their best with two Stein reprints in the 1980s but not to much avail. What remains fascinating is the personality of a woman whose literary effrontery caused her for a while to be compared with Joyce.

Souhami describes the only occasion the two writers met. It was in Paris in the 1930s and it was very brief. On being introduced Gertrude said: "After all these years." Joyce replied, "Yes and our names are always linked together." Gertrude followed this with, "We live in the same *arrondissement*". And at that point the conversation petered out.

Ezra Pound was rather more forthcoming. He went to dinner with Gertrude and Alice in their flat at 27 rue de Fleurus, and enjoyed Alice's superb cooking. Unfortunately when discussing T.S. Eliot, or maybe it was Japanese prints, he became over-excited and broke the back of a chair. "Ez is fine," said Gertude later, "but I can't afford to have him in the house". For his part Pound did not think all that much of her work. As he wrote to Wyndham Lewis in 1935, "...feel all this flow of conSquishousness Gertie/Jimmie stuff has about FLOWED long enuff".

Gertie was a great rejecter of people. She quarrelled and eventually broke completely with most of her relations including her brother Leo. Like his more famous sister, Leo was an eccentric, an expatriate and an early patron of Picasso.

GERTRUDE AND ALICE
by Diana Souhami
Pandora/HarperCollins £19.99, 300 pages

Her rejects among her former-protégés included many of "the lost generation" – that label was borrowed by Gertrude from a French friend. It was Alice's job to tell affronted callers that Miss Stein regrets she is not at home today nor will she be in future. Happily Gertrude's friendship with Man Ray lasted long enough for him to do several portraits of her and one of her white poodle, Basket. Cecil Beaton then took over.

She was strangely, massively photogenic. Hemingway, a protégé until he began to make good, remembered Gertrude, in *A Moveable Feast*, as being "very big but not tall and...heavily built like a peasant woman. She had beautiful eyes and a strong German-Jewish face...her lovely thick, alive, immigrant hair which she wore put up in the same way she had probably worn it at college." And he describes Alice as having "a very pleasant voice...small, very dark, with her hair cut like Joan of Arc...a very hooked nose. She was working on a piece of needlepoint when we first met them and she worked on this and saw to the food and drink and talked to my wife".

Picasso just about lasted the course as a close friend, as did that much inferior painter Gertrude later patronised heavily, the English artist Francis Rose. Another gifted chum was Virgil Thomson. He composed the music for Gertrude's opera *Four Saints in Three Acts*. The work contains a sentence "Pigeons on the grass alas" which has since found its way into the *Oxford Dictionary of Quotations*. With an all-black cast, and choreographed by Frederick Ashton, this curious opera was seen by many of the famous when performed in New York in 1934.

Both Gertrude and her lover Alice came from Jewish-American families settled in the West. The attraction between them was instant, the bond life-long. Gertrude had had a previous love-affair with a woman called May Bookstaver, a fact she concealed from Alice. The pattern of slave (Alice) and mistress (Gertrude) was soon firmly established but we watch the balance of dependence gradually swing in Alice's favour; she had no easy task ministering to Gertrude's imperious needs and whims.

Yet you cannot but admire Gertrude's brute courage as much as Alice's power of endurance. They operated a private ambulance, distributing medical supplies to hospitals throughout France, in the latter part of the first war, and in the second they lived right through the Occupation in their country house at Bilignin in Haute-Savoie. Gertrude somehow succeeded at long-range in preserving the Picassos in the flat in Paris from being plundered by the Gestapo.

Most of Gertrude's literary works, including her ecstatic accounts of her love-making, were so inaccessible to the ordinary reader that no commercial publisher would risk bringing them out. She had to sell a painting or two to finance publication. It was only when Gertrude wrote more comprehensibly in her book on Picasso and above all in the *The Autobiography of Alice B. Toklas* (Gertrude identifying publicly with Alice) and its sequel *Everybody's Autobiography* that she became a best-seller. That led to the two ladies making a triumphal tour of America before the second war.

Gertrude died suddenly in 1946 aged 72. Alice became overnight the classically protective author's widow. More paintings were sold so that all Gertrude's unpublished work could be printed, a project heroically undertaken by Yale University and the writer Carl Van Vetchen. He had been a close friend and as "Papa Woojums" had learnt to speak the baby-language Gertrude used with Alice at times of endearment.

Alice had problems implementing this publishing project; she in her turn quarrelled with the Steins, her co-beneficiaries. But she was by no means finished. She struggled on bravely with Basket the Second for companionship. She made some new friends and in her old age converted to Catholicism. Then she wrote a highly successful cook-book, and eventually in 1967, just short of her 90th birthday, was reunited with Gertrude in Père Lachaise where they both now lie in a joint tomb. The strange story of this long lesbian love-affair has been thoroughly well told in this book – one that is much easier to read than any by Gertrude Stein.

Deft portrait of naval rivalry

THIS IS a book you are bound to enjoy. It is a chronicle of the Anglo-German naval rivalry placed against the broader background of the personal and national clashes that led to the Great War. The set pieces – the naval review of June 1897, the Jameson Raid, the Kaiser's visits to Windsor, Winston Churchill visiting the fleet, "the spring of the panther" – are dramatically re-created.

The pen portraits of the political and naval establishments of Wilhelmine Germany and Victorian and Edwardian Britain are brilliantly evoked with a sharp eye for the memorable detail (Bismark's knowledge of Walter Scott's novels is a case in point). Massie keeps his complex story under tight control, covering large areas of domestic history and international manoeuvring without losing his reader's attention. Monographers like myself can only envy the sheer sweep of *Dreadnought* and the author's rich palette of colours so deftly applied. Like Barbara Tuchman's *Guns of August*, this is narrative history at its very best.

There are but a few instances where the author's appeal to a general audience dictates his selection of high points. There is an extended treatment of the Eulenburg affair, an intimate of the Kaiser brought to trial for homosexuality. We are presented again with the now seemingly obligatory account of Winston Churchill's unhappy childhood, the school beatings, nanny and all, as well as his early adventures in the Sudan. Occasionally, a major figure escapes even Massie's skilful brush. He can do little with Sir Edward Grey, the all-important yet ultimately elusive British foreign secretary, who was left permanently shocked by his failure to preserve peace in 1914. For Grey, more than any other British politician, played the decisive role in determining Britain's course in July.

Multi-dimensional in approach and amply filled with larger-than-life politicians and seamen, this book is necessarily short on analysis but also curiously inconclusive. As Massie knows, the dreadnought race did not lead to an Anglo-German war. That issue was really settled by 1912 and relations between Berlin and London were far better in 1914 than they had been earlier. The naval race, as Massie's central them, leaves little room for any real examination of the roots of the Great War and the German and British decisions to engage in it.

DREADNOUGHT: BRITAIN, GERMANY AND THE COMING OF THE GREAT WAR
by Robert K.Massie
Jonathan Cape, £20,

The British decision, taken out of weakness rather than strength, haunted the imaginations of the inter-war generation and remains the subject of sharp historical debate. Belgium was but a fig-leaf to cover radical doubts; more deep-seated fears of the consequences of neutrality convinced the Cabinet waverers to cast their vote for Mars. We are not told why they should have thought that this war could be fought on the high seas and so believed its course to be limited. Nor why all the statesmen of Europe believed that the conflict would be a short one, an illusion that critically influenced their actions.

Robert Massie's final chapters, already too crowded to give full play to the drama of that final crisis, omit much that is critical to any understanding of the origins of the Great War. For this, one must consult a different kind of book. If only it could be as engrossing and readable as this one.

Zara Steiner

Freudian line between fact and fantasy

"LUCY R" was the Scottish governess who consulted Freud because she could smell only burnt pudding and the whiff of cigar smoke. Freud tested his "talking cure" on her, dredging up memories and emotions associated with the smells while the governess lay primly on his couch, and then told her "I believe you are in love with your employer". Soon afterwards, Lucy was "cured", slipped out of Freud's life and is remembered only as a brief case history in his early work, *Five Studies in Hysteria*. Who was Lucy, and what happened to her?

Lucy's Nose began as Cecily Mackworth's attempt to find out. She searched the Vienna archives, but discovered that while more famous Freud patients – the Rat Man, the Wolf Man, Little Hans – had been easily identified and traced, nothing is known of Lucy, not even her name, beyond the fact of her visits to Freud's surgery at 19, Bergasse, over several months in 1892-93. So *Lucy's Nose* became her fictionalised story of Lucy, interwoven with details of Freud's life at the time of the case and an account of her own researches.

Mackworth's Lucy is a tightly-laced, naive woman of 30 who has suddenly found herself dancing to the foreign tune of *fin de siècle* Vienna. The palmy days of partying and *kaffee und kuchen* are worlds away from her native Glasgow; her temperamental, guilt-ridden employer might have stepped out of the love-circle of Schnitzler's *La Ronde*. No wonder the rococo extravagance sends poor Lucy's fantasies of love and fulfilment out of control, and olfactory hallucinations take over; nevertheless her Scottish sobriety can't help conflict with the wild ideas of Vienna's trendy young doctor. "But I am not asleep", she insists, when Freud tries to hypnotise her. And – her parting shot – "after all, I can have thoughts and feelings to myself".

Like every exchange between Freud and Lucy in Mackworth's story, this comes straight out of Freud's own account. One reason why Freud continues to be so widely read today is the fluency and absolute conviction of his writing; his case histories read like compressed novels. *Lucy's Nose* is one of these novels uncompressed, a classic tale of fear and repression unfolding into shaky self-knowledge.

LUCY'S NOSE
by Cecily Mackworth
Carcanet £12.95, 180 pages

The "factual" encounters between doctor and patient are the pillars of this version; Ms Mackworth's sensitively tuned embellishments extend not only to Lucy's mid-session hopes and dreams but to those of the struggling doctor too. No famous post-1900 Freud here, his couch filled by a succession of glamorous women, but an over-eager doctor, crushed when a patient responds badly, desperate to cling on to a promising case, fighting intellectual isolation and Viennese anti-Semitism. "The poets and philosophers before me discovered the unconscious. What I discovered was the scientific method by which the unconscious can be studied", said Freud. In recent years, doubt has been cast on the complete authenticity of some of his examples; that a compelling and convincing fiction like this one can be woven out of a case history suggests that the fine line between fact and fantasy in Freud's writing is not of the first importance, that Freudian psychology took on a momentum depending less on the rigour of Freud's scientific method than on insights developed by the man himself.

Ms Mackworth's book, unravelling Lucy's story through images and undercurrents of thought, well-paced, scholarly in its refusal to take any assumption for granted, honest in its account of her own dead-ends of research, is in a sense a tribute. At times her enthusiasm for Freud's Vienna carries her away ("off they stride into the bitter central European winter"), but mostly the subjectivism is liberating, allowing her to follow hunches and intuitions which a stricter approach would prevent. The result is a happy hybrid, a work in the small and excellent tradition of recent studies – Richard Holmes' *Footsteps*, Denis Donoghue's *Warrenpoint* – which combine biography and criticism with autobiography and personal anecdote: for anyone who likes his reading offbeat, a quietly fascinating and perceptive tale.

Jackie Wullschlager

A chicken and egg situation

AFTER APARTHEID
by Sebastian Mallaby
Faber & Faber £14.99, 224 pages

IT IS a brave journalist who, in his own book about South Africa, draws attention to a classic text by a member of the same profession. Sebastian Mallaby of the *Economist*, based in southern Africa from 1989-90, acknowledges *Move Your Shadow* by Joe Lelyveld of the *New York Times* as one of his "models of good writing". *After Apartheid* has much to recommend it. There are some sharp observations and insights, and revealing anecdotes. It combines detachment with sensitivity. But it does not stand the comparison that has been invited.

It may be that it is simply too soon to write a book about South Africa's transition to democracy. Explaining why apartheid failed is one thing. It is very much more difficult to say what will replace it. "With its communists and neo-Nazis, its Christians, Jews and Muslims, its Afrikaners and English, its Indians and Coloureds, Xhosas and Zulus, Sothos and Vendas – with all its bubbling variety, how could South Africa build the basic consensus that democracy requires?"

Quite so. "South Africa's new constitution would have to cater to diversity of both race and tribe . . . the question was how to do it." The irritating use of tense implies an historical perspective from which the author can provide the answer.

He cannot, though his guess may well turn out to be correct. Neither the African National Congress nor the National Party has an alternative to negotiations, writes Mallaby. The ANC will be an important partner, if not the senior partner, in any future coalition – although it is not clear just where Mangosuthu Buthelezi fits in; and at least one or two white politicians will remain in the cabinet.

But too little of the negotiating process has unfolded to allow Mallaby to show us just how South Africa will get from its current state to consensus and coalition; or what lessons other African countries can draw from South Africa's exercise in constitution making when it comes to resolving their own ethnic tensions, and reconciling majority rule with minority rights.

Around this unsatisfactory core of the book are excursions into South Africa's familiar past, further predictions, and tenuously linked accounts of the author's experiences in Nigeria, Kenya, Zimbabwe and Mozambique.

No new ground is broken in sections dealing with the effect of sanctions on the South African economy, the bloody rivalry between black political parties, or the well known story of Winnie Mandela and her gang of thugs. Fears of a violent backlash from the extreme white right are seen as exaggerated, although several South African cabinet ministers are not so confident. Perhaps Mallaby has fallen between two stools. In presenting South Africa's search for post-apartheid democracy against the wider backdrop of Africa's post-independence disaster, he has been able to do justice to neither.

Of course he is right to stress the critical importance of land redistribution in post-apartheid South Africa, and it forms one of the most interesting chapters in the book. But a whistle stop examination of land policies in Tanzania, Ethiopia, Zimbabwe and Kenya, with a few paragraphs on Asia and South America thrown in, is not very helpful.

Mallaby is at his best when reporting, rather than speculating or providing potted history. His account of an excursion aboard a South African company jet doing the rounds of its commercial outposts is as revealing as it is entertaining.

The run takes in Malawi, which does not hide its trade with Pretoria; Mozambique, where the company managed the state-owned chicken farms; Zambia, where sanctions obliged the company to pose as British and route faxes from Johannesburg via London; and Zaire, where hens and hen-coops were flown in from South Africa in response to President Mobutu sese Seko's demand for a chicken farm.

There was one problem. The hens were not laying, and the president was expecting distinguished guests. They would want to see results. So another plane was despatched, loaded with eggs, one to be tucked under each chicken. "A European company would never have done that", said the shrewd South African chairman.

Michael Holman

Poetic 'counter-culture' runs out of steam

CHILDREN OF *Albion* was an anthology of underground poetry in Britain "edited and extradicted" by Michael Horovitz, published as a Penguin paperback in 1969. With its title and cover design from *William Blake and long, dithyrambic* Afterword by the extradicter, it was and remains a flavoursome product of its period, an authentic document of a "counter-culture" vital enough in its poetic energies to win praise from such an "overground" figure as Ted Hughes.

Horovitz's canon of alternative writings comprised political protest poetry such as Adrian Mitchell's famous "To Whom It May Concern", dialect poems like Tom Pickard's Geordie "Shag", and poems influenced in general by the experience of public reading. Horovitz was an instigator of the first International Poetry Incarnation at the Albert Hall in 1965, an event which did much to set the fashion for poetry as performance.

If it seemed paradoxical to establish a "canon" of works whose thrust was precisely to de-academise the writing and appreciation of poetry, both of which had reached heights of hermetic irony in the preceding years of the "Movement", the anthology read in retrospect has a satisfying and qualitative feel, and I find it rather more interesting now than when I first encountered it in the 1970s.

But Horovitz regards the "underground" impulse as having continued unabated, its radicalism having become a part of our everyday lives and at the same time been retained as a necessary protest against new ills. He himself has kept the flame alive by organising "Poetry Olympics" for the performance of verse and by editing his irregular journal *New Departures*. These allied ventures are reflected in this new anthology to which he has given the logical but somewhat self-dismissive title *Grandchildren of Albion*.

GRANDCHILDREN OF ALBION
edited by Michael Horovitz
New Departures (Piedmont, Bisley, Stroud, Glos.) £9.99, 416 pages

The book is strikingly inferior to its parent. Horovitz's generosity of spirit has led him to embrace just about any work that kicks against a poetry Establishment defined in terms of Craig Raine's "Martian school" and the *Penguin Book of Contemporary British Poetry*. "All-white's alright" is the motto imputed to the latter, whereas Horovitz's anthology bends over ideologically backwards to accommodate "a quorum of the most energetic diversity of black, Asian, female and feminist, regional, urban and rural, communal, ecological and heterodox extremes based in Britain", as he phrases it in a much briefer though more militant Afterword than 1969's.

His ethical stance seems to have impaired his aesthetic judgment, for many of the poems included here would be embarrassing in a school magazine, while the visual appearance of the book – with its eclectic graphics, roughly assorted illustrations, stretches of musical notation, and mysteriously dropped first 16 page numbers – bespeaks no great fastidousness. It is one of the messiest publications I've seen.

The book's deeper problem is that the counter-culture has not survived as a significant force in the way that Horovitz would like to think. In the 1960s it was apprehended, even by its opponents, as a positive, central force, not to be confined to the margins of society, always threatening the whole. Adrian Mitchell's proud rhetoric ("Tell me lies about Vietnam") has an authority deriving from a profound political consensus; his bitterness is decidedly supra-personal. But the Thatcher years have reduced many of Albion's grandchildren to a smouldering personal rancour. They do not bear a global weight of responsibility so much as a chip on the shoulder.

The over-generous selection from Carol Ann Duffy's work has an unappealing hardness of tone that is typical. Nor has the tradition of poetry-in-performance helped matters: virtually all these pieces have an eye on audience effect and poetry is all too often trivialised into anecdote.

The strength of the anthology is probably its large quota of Caribbean dialect poems, though their consequence is not always easy to distinguish from their quaintness (but that's a problem with Chaucer too). Pieces like John Agard's "Palm Tree King" and "Listen Mr Oxford Don" and Valerie Bloom's children's ballad "Don' Go Ova Dere" are funny, fetching and hard to forget. After Fiona Pitt-Kethley's scurfy anecdotes, the lower-case feminist doodlings of Michèle Roberts, and Attila the Stockbroker's weak suburban satires, they come as a considerable relief.

Paul Driver

Where imagination rules OK

LOST IN Cyberspace? Then blame Descartes: "I have, on the one hand, a clear and distinct idea of myself as a thinking, non-extended thing, and, on the other hand, a distinct idea of my body as an extended, non-thinking thing: it is therefore certain that I am truly distinct from my body, and can exist without it" (*Meditations*, 1642). Three hundred and fifty years on, technology has proved this almost instinct almost true. Leibniz arrived in 1666 with his idea of "electric language" for logical reasoning outside language, and the coordinates for Cyberspace were set.

Cyberspace: First Steps, is a difficult, technical and interdisciplinary collection of 15 essays from architects, philosophers, Sci-Fi writers and intellectual historians. It gives the history of a technology that will alter our lives next century, although no one knows exactly how. The essays' limitations – obscurity, obtuseness and jargon – are entirely consistent with confusions surrounding VR technology. No one knows what kind of world the technology is driving us towards.

The history, however, is plain enough. After written texts (around 1600) came the electronic revolution (after 1900) and the age of information technology (after 1960). In 1984, the Sci-Fi writer William Gibson coined the term "Cyberspace" in *Neuromancer*, a bewildering journey through a matrix of "collective hallucination." Instead of sitting at the computer keyboard controlling information, Gibson's characters were inside the matrix. They *were* information.

The current pop-example of Cyberspace is the new "Virtual Reality" (VR) technology. This lets a computer's users represent themselves in three dimensions and wander around with other bits of electronic information in the computer's memory; this technology has become useful for architects, designers and fire fighters as well as games-players. But Cyberspace is more than that; it is the place where all information, visualised spatially, moves along electronic networks between users; the place where data is collected and robots controlled remotely; the place where the mind floats free of the body.

So, what does living in Cyberspace mean? Many people are already there. With portable PCs and modems, we are turned into nomads who are always in touch. Within the permanently ephemeral world created by digital television, PCs and high bandwidth cable or radio-frequency networks, we build structures of information like data visualisation, user networks or graphic user interfaces. These structures exist in the country called Cyberspace: bank accounts, credit ratings, company files.

The rules of evolution for Cyberspace have yet to be defined. That uncertainty makes these essays an adventure in honest perplexity. The Cyberspace revolution has spawned a new commentator, the Cyber-architect, who unites (as traditional architects do) the disciplines of design, technology and sociology. The language which explains Cyberspace is overwhelmingly architectural: dimensions, structures, habitations. But there is no obvious "natural space" equivalent for motion or physical interaction in Cyberspace. Those who write about it in this collection are mining in unknown seams with an occasional pit-prop and no illumination from the outside world.

CYBERSPACE: FIRST STEPS
edited by Michael Benedikt
MIT Press £19.95, 436 pages

Now, Cyberspace research is beginning to call into question our very notions of "space", "intelligence" and "perception"; so these essays are a taxing excursion in philosophical and semantic thinking. The contributors require a highly eclectic knowledge from their reader, who is expected to be familiar with such disparates as Baudrillard, Habermas, Lacan, C.S. Lewis, le Corbusier, McLuhan, Merleau-Ponty and Gerard de Nerval. Michael Benedikt's editing is rather too light for the non-specialist, but then Cyberspace involves enough disciplines to make a nonsense of specialism.

Since no process of logical reasoning can add to the *information* which its founding axioms contain, nor to the observations from which it proceeds (information encoded in a molecule of DNA or an architect's blueprint), and since Cyberspace has yet to decide on its logical processes and its axioms, this is a fascinating area which allows every intellectual discipline a fair shout. Few academic subjects are confident enough not to exclude others these days.

Perhaps because Cyberspace is a country of the mind, the laws of the imagination will turn out to be the processes which govern the new electronic frontiers. As Dr Johnson said, "Were it not for imagination, sir, a man would be as happy in the arms of a chambermaid as of a Duchess."

Andrew St George

Brave hang at the Tate

FOR THE third time, the rehanging of the entire sequence of galleries that hold the permanent collections at the Tate is complete. There will now be a brief pause of a month or two before the whole process begins again. British Petroleum, which has sponsored this rolling rehang from the outset, has recommitted itself for a further two years, to make six in all. Change, renewal, permanent revolution; clearly there is to be no respite. At more or less mid-term, of both the programme and the initial period of office of the Tate's director, Nicholas Serota, with whom it is so closely identified, it is no bad moment to take stock.

Any criticism or debate centres not upon any particular decision or peculiarity in the new hang, but upon general principle and the nature and limitations of the Tate itself as our national museum both of British art, historic and modern, and of international modern and contemporary art.

I would make clear at once that so far as appearance is concerned, each gallery is beautifully hung, intriguing in the particular choice of works and, as often as not, offering real surprises. Overall the sense is of a spare and elegant arrangement, light and open. In particular, the early decision to open up the long central axis of the gallery's sculpture halls is again entirely vindicated. The Tate itself looks terrific.

But here we must pause to ask the fundamental question: just how long can the fun continue? For fun it is and, which is usually the point with fun, self-indulgent. The Tate has far more works in its collections than it can ever show together. There is no scandal in this, for it is its statutory duty to monitor current change, development and innovation as well as to celebrate remarkable individual works and achievement. It must buy, buy, all the time; and while we might sometimes question what it does buy, we must concede that it could not be what it is meant to be without the buying.

Space, therefore, is ever at a premium, and how wonderful it is to have these high and spacious galleries in which to show off the current selection to such advantage. But for how much longer may we justify so spare and brave a hang, so narrow a choice, so few works on the wall?

To the knowledgeable and regular visitor, most of all perhaps the professional scholar, critic or artist, the Tate will remain, under its present policies, a real and ever-renewable treat. It is always a thrill to see a familiar work in a fresh and challenging context, to confront a major work by a forgotten artist never seen before, to respond to work too long critically neglected or discounted.

This is all very well, but what is the interested but general visitor to make of it, with no special knowledge to sustain him? Where is the broader, encompassing survey to be found, to order and inform the sequence of displays, but in a book? For any museum to send the visitor back to his books for further stimulation is a kind of triumph: to require it of him in advance is perhaps to fail him. We, the professionals, know that what we now see at the Tate is but one possible view or sequence among many, equal but different from the last as from the next. But life is short and even we may despair of seeing them all.

No Stanley Spencer, no Sickert, no Sutherland on current display, no Freud, no Albert Moore, no Giacometti, a mere four galleries given to work of the past 20 years, two of them to Joseph Beuys alone. And the treats? Room 3 full of Gainsborough at his most fresh and yet magisterial, and surely now the greatest British painter before Turner; Room 9 full of the Victorian academy, not just the pre-Raphaelites but Waterhouse and late Millais, who grows ever more interesting; Room 11 for narrative Victorian realism, Walker, Farquarson, Orchardson, Mason, Fildes; Room 23 for the British 1950s Kitchen Sink, with Peter Coker outstanding.

There is indeed, so much to see and thoroughly enjoy. And may we look forward to something more settled, more regular and comprehensive as the hang rolls on: something, shall we say, a shade more permanent of the permanent collection?

William Packer

Detail from John William Waterhouse's 'St Eulalia'

Off the Wall/Antony Thorncroft

No truck with inheritance trade-offs

THE BATTLE to keep Holbein's "Portrait of a lady with a pet squirrel and a starling" in the UK is far from lost. Indeed the very haste with which the owner, Lord Cholmondeley, advised by Christie's, has rushed the painting to auction on April 15, with no attempt at a private treaty sale, has aroused the fury of the heritage lobby. The pressure is on the Minister for the Arts, Tim Renton, to use his powers to steer this poignant picture towards its natural home in the National Gallery.

Renton has some powerful cards. Lord Cholmondeley expects a bonanza price from the open market, an optimistic £15m plus. But whatever sum the picture makes at Christie's he will have to pay inheritance tax of a reputed 60 per cent on the sale, which could reduce his actual cash in hand to nearer £7m. Of course he is reluctant to pass over so many millions to the Inland Revenue.

To avoid doing so he proposes to offer the 18th century William Kent furnishings at Houghton, his Suffolk seat, to the nation under a unique Acceptance-In-Lieu of tax package. But there are good reasons why Renton, who has the final say, should oppose such a deal. It makes nonsense of the AIL provisions to use them to secure one heritage item, the Houghton furnishings, at the expense of another, the Holbein portrait. And for Lord Cholmondeley the actual cost is minimal – the furniture would still grace his home.

When Lord Rothschild tried to introduce an element of flexibility into AIL last year, offering to buy Canova's "The Three Graces" for the nation if the cost could be set against his inheritance tax bill, the Minister gave him a dusty answer.

A timely word from Renton, making clear that he will have no truck with trade-offs, could put a private treaty deal, which would include a tax sweetener, back on the table. The National Gallery was able to acquire an important landscape by Aelbert Cuyp from Lord Bute by persuading him to accept the £8m price over three years. If the after-tax value of the Holbein is also around £8m and Lord Cholmondeley is prepared to take the money in annual payments, the National Gallery, aided by the National Heritage Fund, becomes a serious buyer.

Tim Renton, Minister for the Arts, has some powerful cards to play with

Another incentive for Lord Cholmondeley is the absence of obvious bidders on the open market. The inevitable candidate, the Getty Museum in Malibu, has kept so far to its policy of not bidding for art works which are considered to be part of a nation's heritage. The recession in Germany must deter the German buyers that Christie's is lining up. A guaranteed sum from the NG, and the thanks of a grateful nation, could seem to the young marquess an attractive alternative to the vagaries of the market.

*

What has happened to Tim Renton, the normally benign Arts Minister? While handing out his weekly alms for the needy – in this case £2m for a Theatre Restoration Fund to patch up the likes of the Hackney Empire and the City Varieties, Leeds – he suddenly announced the abolition of the Arts Council as we know and love it.

Well, almost. He said he had been converted to direct Government funding of the national flagship companies – the National Theatre and the RSC, Covent Garden and the ENO, and other big recipients of state subsidy. This would take away the Council's *raison d'être*. Under chairman Lord Palumbo the Council is trying to off-load the funding of smaller arts organisations to the new regional arts boards. To retain any influence at all it must sign the cheques for the major clients.

The views of the Big Four tend to change with the wind, championing the Arts Council as their paymaster when they are getting large grants, preferring direct Government funding when they think it might be more generous. At the moment only Covent Garden, which is cross because its grant was only marginally increased this year, supports a change. The others are reluctant to become the pawns to what would inevitably be political decisions. The arms length principle gives them that bit more artistic freedom.

Why has Renton rallied to what is basically Labour Party policy? It would not be the first time the Government has done so: the switch to local arts funding is another conversion. But setting loose this hare was totally unexpected. It could be that Renton believes he is unlikely to keep his job even if the Conservatives win the Election. He might as well go out with a few fireworks.

It could also be that he feels hard done by. He travels the country with his small initiatives – a National Music Day here; a Museum and Galleries Improvement Fund there – but the big decisions are taken behind his back. The Prime Minister grabbed the kudos for the European Arts Festival; the previous Arts Minister, David Mellor, in his current job at the Treasury, is credited with getting the arts their substantial funding rise last autumn. Renton might be demob happy, stirring things up for his successor.

French salerooms woo foreigners

FRANCE'S 440 auctioneers, the most protected and privileged of Europe, are to introduce a flat rate buyer's premium of 9 per cent as compared with the 10 per cent in force in Britain and the US as an incentive to foreign companies. Replacing a complex four bracket system, the new system will also entail a reduction of the seller's commission from a maximum of 7.5 per cent to as little as 2 per cent.

Drouot salerooms in Paris say the measures have been approved by Finance Minister Pierre Beregovoy and should be completely rubber-stamped in time for their important auctions in May.

Christie's and Sotheby's, who may prospect but not hold sales in France, welcome the 9 per cent but say more concessions are required before they set-up in Paris – something they now seem unlikely to do for at least another five years.

Other reforms of French auctioning for 1993, due to become law over coming weeks, will make access for European auctioneers legally possible, but technically difficult and commercially unattractive. They anger France's biggest auctioneers who want Christie's and Sotheby's to work in Paris, but will serve the interests of the smallest French companies who would be driven to the wall by such competition.

Non-French auctioneers will have to sit a qualifying examination and "abide by French customs". They will be able to practice anywhere in the country instead of only in their place of residence as previously, but only under certain restrictive conditions. The biggest obstacle for British auction houses, however, will be the requirement, unchanged by the new laws, to buy a licensed auctioneer's office at anything from Fr500,000 to Fr20m, which only an individual and not a firm may legally do.

VAT rates of 5.5 per cent and 18.6 per cent on imported works of art, meanwhile, peculiar to France, are still dissuasive for Sotheby's and Christie's, as is the French *droit de suite* tax of 3 per cent which may one day be extended to the whole of Europe.

"France is the only big market still closed to us and news of the 9 per cent buyer's premium obviously delighted me because it is a big step in the right direction. But major obstacles remain. We will come to Paris only when the whole of the French auctioning profession and not just some of its most important members is ready to welcome us," said François Curiel, director of Christie's Europe.

Nicholas Powell

Fair trade in Madrid

Antony Thorncroft finds a healthy British contingent at ARCO

THIS YEAR Madrid has unobtrusively taken over the baton from Dublin and is the 1992 European City of Culture. It is a fair choice given the willingness of Madrid, and Spain, to spend big money on the arts, both to raise national prestige and to encourage a creative eye among the people. That is why the public gallery to house Baron Thyssen's picture collection, probably the last great private collection, is nearing completion opposite the Prado rather than the National Gallery in London, and why the International Contemporary Art Fair, ARCO, has established itself, against considerable competition, as one of the world's great contemporary art fairs.

ARCO, which has just ended, hides its charms well. The fair has moved to a brand new industrial exhibition centre in the dustlands north of the city and occupies a succession of hangars which would shield a small airforce. Once inside your prejudices disappear. There is undoubted over-kill, with almost 200 galleries showing off art, but the plain white walls and feet-friendly carpet make viewing manageable.

The recession, and lobbying by local dealers, cut down the room available for overseas dealers, and almost half the space is consumed by the Spanish trade, but the British contingent seemed happy enough with business. Waddingtons was particularly pleased. It sold works by Flanagan and Sean Scully, as well as by Spanish artists like Tàpies (whose work was everywhere) and Barceló. It even disposed of a sculpture by the Catalan artist Leiro which had lingered in its stock for years.

Annely Juda met good demand for Christo and Hamish Fulton, among others, and Flowers East was glad to have finally made the fair, which has a long waiting list of exhibitors. Its abrasive work by Peter Howson was too tough for local taste this year but Angela Flowers expects to do well at ARCO in future. In the meantime she took £500 on Saturday just selling badges, postcards and catalogues.

Jill George was another London dealer finally allowed in. She also was happy with the reaction to her mainly figurative work which she took to stir up the locals with their fondness for minimalist art. A vast wall, 10 feet square, by Ricardo Cinalli, composed of twelve giant faces, certainly stopped the crowds in their tracks. George was hoping for one buyer at around £25,000 but on the last day she was persuaded to divide it up into four separate pieces, one of which has already sold.

Judging by the paucity of red spots ARCO is not so much a fair for selling but for celebrating art. By far the most encouraging feature is the size of the crowds. Over 150,000 made the difficult journey out to the fair during the week and on Saturday it was like a carnival, with the place thronged by young Spaniards taking a serious interest in everything. They are not buyers now but they will be in a decade's time.

The quality of art on show was variable, but most of it, unlike at London fairs, was begging to be bought. It had a "look at me" appeal, especially the displays on the Spanish stands which often had a flashy, bright, heat of the sun directness – and little depth. There was little sculpture, and also a welcome absence of the installations which make London art school shows look like an engineering workshop. With the profusion of conceptualist art on view ARCO held on to its reputation of being the most avant-garde of the contemporary fairs.

ARCO finds room for video nuts; for photographers, with the highlight a display of the work of Philip Jones Griffith including harrowing shots from Vietnam; for holography; for philosophers keen to discuss "the new aesthetic paradigm"; even for lawyers, with a seminar on legal issues.

But the biggest crowds were around the stands, especially that occupied by ACA Galleries, which flaunted ARCO's "contemporary only" rules by displaying paintings by Picasso and Ernst, even a Pissarro landscape. The crush was for the work of John de Andrea, who produces life size polyvinyl models, one of a nude, warts and all, and another of an ethereal dancer. Almost as popular were the technology based creations at Carl Solway, personified by "Rocket to Virtual Venus" by Nam June Paik in which 36 TV screens spiral upwards within an aluminium framework with a serene small head of Buddha nestling among the hardware.

Big names – Miró, Twombley, Ben Nicholson – jostle with the unknown and the bizarre. There were throngs around everything, although Botero's portrait of Franco, showing the general as just another puffed up tinpot Latin American dictator, attracted few glances. There was greater interest on Marlborough's stand in a large Bacon, the antithesis of Spanish taste, but an object of keen comment.

ARCO is certainly bigger than the sum of its parts. This is mainly due to financial priming from the Spanish Government. Not only does it transport over journalists, but it also pays for major collectors to come across. Watching the really rich exploiting their unexpected freebie to the limit was performance art of the highest order.

Radio

Eat, drink and be merry . . .

FAITHFUL LISTENERS to the Bible readings on Radio 4, LW, had a treat this week with *Ecclesiastes* and the *Song of Solomon*. The notional Preacher "commended mirth, because a man hath no better thing under the sun, than to eat, and to drink, and to be merry", but then decided that "all is vanity". His conclusions are unhappy, but the Authorised Version's expression of them superb. Robert Stephens read it appropriately.

He also read in the *Song of Solomon*, but this anthology of allegorical intimacy is partly a woman's song, and the rose of Sharon was ably personified by Cathy Tyson. The near-theatrical style, directed by Ned Chaillet, sounded well, as the lovely familiar phrases poured forth. This was not vanity.

More familiar phrases on Sunday in Radio 3's *Macbeth*. It is good to hear fresh voices in well-known lines; Tim McInnerny was a convincing Macbeth and Harriet Walter a musically menacing Lady. I liked Kim Wall as Malcolm, a young voice with energy that increased as events demanded. David Robb rightly gave Banquo more dignity than Macbeth. I found the Weird Sisters tame; perhaps they were as scared of Richard Avery's Hecate as I was. We had much soldierly singing, and a lot of Latin that would have stung the Scots to some equally untextual condemnation of the Pope. But in general Nigel Bryant gave a good, straightforward, only modestly-cut production.

Also on Radio 3, *A Hard Heart*, a new play commissioned from Howard Barker. This opens at the Almeida Theatre in a fortnight's time, and is broadcast again on April 21 – an unusual tribute to the relative values of live and broadcast theatre. The story is simple: Riddler, a brilliant, arrogant woman, persuades the Queen that she can save their besieged city if her spoiled son Attila is excused military service. But while she works at her tactics, she is distracted by a vagrant improbably in love with her. She sends him to the enemy lines with details of the defence layout, thinking that they won't believe such an obvious trick. But Attila has signalled it all from the roof of his chamber, so that he will be spared when the assault comes. Riddler maintains that she has never failed, yet she must see the Queen cutting her wrists at the defeat. The vagrant holds that the scheme worked – but only in that it proved Riddler's love for him.

The emotional pattern is bold, if hard to sympathise with; Anna Massey's Riddler may indeed have thought herself a god. Douglas Hodge depicted a nasty young Attila, and Kenneth Cranham a rather sane vagrant. Only Deborah Findlay's Queen was granted any dignity. Tactics, for what they are worth, are weak; director Richard Wortley has asked for constant artillery, but there is little other evidence of battle.

Radio 4's Classic Serial (first of six parts last Saturday) is Thomas Mann's *Buddenbrooks*, adapted by John Peacock and directed by Jane Morgan. Though time passes swiftly, the first instalment is mostly involved with deploying the characters; and unless we know the novel we don't yet know how much they'll matter. The scene is in Lübeck in the last century, the background is high-level business, the *Generaldirektor*, Johann Buddenbrook, is Jack May. Take it from here

The motion at the Radio 4 Debate on Sunday, at the Royal Geographical Society, was that the only way to save the planet is for the West to accept a lower material standard of living. I won't recount the arguments made, many of them the matter of common discussion among sensible people, apart from that brought out by Tom Burke, adviser to the Environment Secretary (opposing). It is a dangerous delusion to suppose that a moral revolution can possibly save the planet, he said, and in audible capital letters, THEY ARE NOT GOING TO DO IT. He is probably right, but the motion was carried by 112 votes to 43.

B.A. Young

Chess No 911:
1 Ka7 Qf2+/Qf1 2 Qc5, or Nf7/Qf7+ 2 e7. Traps are 1 Qe3? Ke7 or 1 Kc7? Qf4+ or 1 Qd8? Qf2+.
Due to production problems, Chess solution 910 did not appear in the first edition of February 15. It was: The trap is 1 c4? (threat 2 cxd5) when if bxc3 ep 2 Qb5, or dxc3 ep 2 Qxd5, or Ne5 2 Be7, or Rxb3+ 2 Nxb3, or dxc4 2 Rxc4- but after 1 . . . d3! White has no mating reply. So 1 Qd3! Rxd3+ 2 cxd3 or mates by 2 Nb3, 2 Na6, 2 Qb5, or 2 Be7 according to Black's other replies.

TELEVISION

SATURDAY

BBC1

6.35 Open University. 7.25 News. 7.30 Crystal Tipps and Alistair. 7.35 Wiz Bang. 7.45 The Jetsons. 8.05 Eggs 'n' Baker. 8.35 Thundercats. 9.00 Going Live! 11.27 Weather.

11.30 Grandstand, introduced by Steve Rider. 11.35 Winter Olympics: The men's slalom from Les Menuires. Plus, the third and fourth runs in the four-man bobsleigh. 12.40 Football: Review of last week's FA Cup fifth round. 12.50 News. 12.55 Winter Olympics. 1.35 Racing from Punchestown: 1.40 The Clongowes Wood Hcp. 1.50 Bowls: The World Indoor Championships from The Guild Hall, Preston. England's David Bryant and Tony Allcock take on the Irish pair Ronnie Garland and Victor McCrae. 2.05 Racing: 2.10 The Kildare Day Steeplechase. 2.20 Bowls. 2.35 Racing: 2.40 The Eddie Brennan Ltd National Trial. 2.50 Rugby League: Live action from The Challenge Cup quarter-finals. 3.45 Football Half-Times. 3.55 Rugby League. 4.35 Final Score. Times may vary.

5.10 News.

5.20 Regional News and Sport.

5.25 Stay Tooned!

5.50 Big Break. Snooker stars Tony Knowles, John Spencer and Tony Meo test their skill against the clock on behalf of contestants. Hosted by Jim Davidson.

6.20 Noel's House Party.

7.10 The Paul Daniels Magic Show.

7.55 Columbo. Peter Falk stars as the crumpled detective, investigating the perfect murder.

9.05 Moon and Son. When Gladys reads the runes for a honeymoon couple, their promise of a happy future soon turns into a nightmare. Millicent Martin and John Michie star.

10.00 News and Sport; Weather.

10.20 That's Life!

11.00 Midnight Caller. First of a two-part story. Killian condemns a group of prison rioters. But as tension rises, he becomes a voice for their protests, and a nightmare begins.

11.50 Film: The Philadelphia Experiment. Sailors on board a World War Two destroyer fall through a time warp and re-emerge in 1984. Sci-fi adventure, starring Michael Pare and Nancy Allen (1984).

1.25 Weather.

1.30 Close

BBC2

6.40 Open University.

3.00 Mahabharat. (English subtitles).

3.40 Original Rags. American pianist and musicologist Joshua Rifkin plays a selection of Scott Joplin classics.

4.30 World Bowls. From Preston's Guild Hall, coverage of the World Bowls Championships. David Bryant and Tony Allcock, five-times winners of the pairs, defend their title. Dougie Donnelly is the host.

5.40 Late Again. Highlights from the week's Late Shows.

6.25 News and Sport; Weather.

6.40 Young Musician of the Year. Humphrey Burton introduces the second programme of chamber music played by finalists and winners from previous competitions.

7.30 Fine Cut: The Forgotten Men. Throughout World War Two, Czechoslovakian airmen fought alongside the Allies. But their heroic action was wiped off the pages of Czech history soon after the communist coup of 1948. Director Otto Olejar's documentary tells their story.

9.00 Moving Pictures. Including a profile of director Robert Altman, who has just completed The Player, his first Hollywood film for 15 years, a satire about the movie industry; two new films from Errol Morris and an interview with the homicide cop who makes sure that writers and actors commit murder properly on screen. Last in series.

9.50 Winter Olympics '92. The final of the four-man bobsleigh; the men's 5,000m relay in the short-track speed-skating, with the Great Britain team led by Wilf O'Reilly; men's slalom from Les Menuires; and bronze medals decided in the ice hockey tournament. Introduced by Desmond Lynam.

11.20 Film: The Long Goodbye. Philip Marlowe tries to help a friend accused of murder – and unearths new mysteries, suicide, and blackmail. Starring Elliott Gould with Nina Van Pallandt, Sterling Hayden and Henry Gibson (1973).

1.15 Close.

LWT

6.00 TV-am. 9.25 Motormouth. 11.30 The ITV Chart Show. 12.30 pm Child of Achievement Awards.

1.00 ITN News; Weather.

1.05 LWT News; Weather.

1.10 Saint and Greavsie. Previewing tomorrow's Everton v Leeds Utd match. Plus, another qualifying round of the Rumbelows Sprint Challenge; The Day.

1.55 Snooker: The British Open. Nick Owen introduces the start of the competition from The Assembly Rooms, Derby.

3.15 Athletics: Indoor Invitational. Liz McColgan, the World 10,000m champion, attempts to set a new 5,000m record at Birmingham's National Indoor Arena. New British sprint discovery Jason Livingstone, American Leroy Burrell, sprinter John Regis and hurdler Colin Jackson also compete in the afternoon's events.

4.45 Results Service.

5.00 ITN News; Weather.

5.05 LWT News; Weather.

5.15 10 Sharp!

5.25 Baywatch.

6.20 Beadle's About.

7.05 Stars in Their Eyes.

7.35 The Brian Conley Show. New series. Guests include The Fabulous Singlettes and the Blues Sisters.

8.05 Murder, She Wrote. New series. Angela Lansbury stars.

9.00 The Other Side of Paradise. New series. Jason Connery plays a pioneering young doctor who flees to a paradise island and becomes involved in the daily lives of its people. Also starring Josephine Byrnes, Richard Wilson and Hywel Bennett.

10.00 ITN News; Weather.

10.15 LWT Weather.

10.20 Aspel Meets Barbra Streisand. There are few honours left to heap on the multi-talented American singer/actress – she has won every major entertainment award from Oscar to Emmy. Tonight she talks about her new film, The Prince of Tides, her life, and recording career.

11.05 Snooker: The British Open. Further action from Derby.

12.35 Tour of Duty.

1.35 Get Stuffed.

1.40 Passengers.

2.10 WCW Pro Wrestling.

3.10 Get Stuffed.

3.05 Bhangra Beat.

3.35 American College Football 1991.

4.30 The Hit Man and Her.

CHANNEL4

6.00 Early Morning. 9.30 Listening Eye. 10.00 The Big 5. 10.30 Film: Bombers Moon. 11.50 Joe McDoakes. 12.00 Get Smart. 12.30 pm The Beverly Hillbillies.

1.05 Film: It Always Rains on Sunday. An escaped convict seeks refuge in his mistress' house in East London. Drama, starring Googie Withers (1949).

2.45 Racing from Kempton Park. Including the 3.00 Tote Placepot Hurdle, 3.35 Mitsubishi Shogun Galloway Brass Trophy Novices Chase, 4.10 Racing Post Chase (H'Cap), and the 4.40 Rendlesham Hurdle.

5.05 Brookside.

6.30 Right to Reply. Reactions to last Wednesday's disturbing Dispatches programme which attempted to prove that satanic abuse is more than just a media myth.

7.00 A Week in Politics. Labour treasury spokesperson Marjorie Mowlam MP talks about regulating the City. Plus, Labour's debate on the recession and a look at how the Government was defeated in the Lords over the Council Tax Bill.

8.00 TV Heaven: Introduction. A nostalgic evening of TV shows from 1974, with Frank Muir.

9.05 Thick as Thieves. Pilot episode of this classic comedy series, starring John Thaw as a crook just released from prison who goes home to discover his best friend (Bob Hoskins) living with his wife.

9.55 Regan. Feature-length episode which launched The Sweeney. Starring John Thaw as the hard-bitten, hard-hearted and hard-drinking Insp Regan of the Flying Squad.

10.35 This Week. The activities of the National Front in the run-up to the General Election of October 1974.

11.10 Court TV: America on Trial. Facing a manslaughter charge, Christine Grace claimed she was justified in stabbing her boyfriend because of his repeated abusive behaviour.

12.40 Film: Caged. A young woman involved in a robbery is sent to prison – but the brutal regime turns her into a hardened criminal. Harrowing drama, starring Eleanor Parker. Shown as part of the Barred season (1950).

2.25 The Word.

3.25 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 11.30 The Munsters Today. 12.00 The ITV Chart Show. 1.05 Anglia News. 5.05 Anglia News and Sport 5.15 Cartoon Time. 10.15 Regional Weather.

BORDER: 12.30 The Munsters Today. 1.05 Border News. 5.05 Border News and Weather 5.15 Cartoon Time. 11.05 Men.

CENTRAL: 12.30 The Munsters Today. 1.05 Central News 5.05 Central News 5.15 Central Sports Special – Goals Extra. 10.15 Local Weather.

CHANNEL: 12.30 Superman. 1.05 Diary Dates. 5.05 Channel News. 5.10 Puffin's Pla(i)ce. 5.15 Cartoon.

GRAMPIAN: 12.30 Dinosaurs. 1.05 Grampian Headlines 1.55 Abairt 2.15 Snooker: The British Open. 5.05 Grampian Headlines 5.10 Criomagan. 5.15 Cuirm Cioinne. 10.15 Grampian Weather. 11.05 Matlock.

GRANADA: 11.30 Children's Island. 12.00 The ITV Chart Show. 1.05 Granada News 5.05 Granada News 5.10 Granada Goals Extra. 11.05 Men.

HTV: 12.30 Superman. 1.05 HTV News. 5.05 HTV News and Sport

HTV Wales as HTV except: 5.05 HTV News and Sport 5.20 Pepe Le Pew.

SCOTTISH: 12.30 NB. 1.05 Scotland Today. 5.05 Scotland Today 5.15 Cartoon Time. 10.15 Scottish Weather.

TSW: 11.30 The South West Week. 12.00 The ITV Chart Show. 1.05 TSW News. 5.05 TSW News. 5.15 Gus Honeybun's Cartoontime. 10.15 TSW Weather. 11.05 Men.

TVS: 12.30 Superman. 1.05 TVS News. 5.05 TVS News. 5.15 Cartoon Time.

TYNE TEES: 11.30 My Secret Identity. 11.55 Mr Magoo. 12.00 The ITV Chart Show. 1.05 Regional News. 5.05 Northern Life Sports Special. 5.15 Cartoon Time. 11.05 Men.

ULSTER: 11.30 Dinosaurs. 12.00 The ITV Chart Show. 1.05 Ulster Newstime 1.55 Saturday Sport. 5.10 Ulster News. 5.15 Saturday Sport Results 5.20 Cartoontime. 10.15 Ulster Newstime 11.05 Men.

YORKSHIRE: 11.30 My Secret Identity. 12.00 The ITV Chart Show. 1.05 Calendar News. 5.05 Calendar News. 5.15 Cartoontime.

S4C Wales as Channel 4 except:- 9.30 Jeifin. 10.00 Pro-Celebrity Golf for the White and Mackay Scotch Trophy. 11.00 D'Art. 11.30 Travelog. 6.30 Free for All. 7.00 Newyddion Nos Sadwrn. 7.20 Bechingalw. 7.50 Doctor Elen. 8.50 Tocyn Tymor. 9.35 Quizbowl. 10.05 Evening Shade. 10.35 He-Play: The Vacuum. 10.40 20,000 Years in Sing Sing starring Spencer Tracy and Bette Davis. (1932)

SUNDAY

BBC1

6.45 Open University. 8.50 Playdays. 9.10 News. 9.15 Getting Through. 9.30 This is the Day. 10.00 See Hear! 10.30 Deutsch Direkt. 10.55 Advice Shop Extra! 11.00 Business Matters. 11.30 Work is a Four Letter Word.

12.00 Bazaar.

12.25 Experiment!

12.30 Country File.

12.55 Weather for Farmers.

1.00 News; On the Record.

2.00 EastEnders.

3.00 Film: Force 10 from Navarone. During World War Two, commandos attempt to blow up a vital bridge separating the Germans and partisans in Yugoslavia. Starring Robert Shaw and Harrison Ford (1978).

5.00 The Clothes Show. Caryn Franklin attends a fashion show at London's National Theatre which aims to put British menswear design on the international map.

5.30 Antiques Roadshow. A Meissen teapot modelled as a white rose is one of the surprise items found when the Roadshow visits the Barbican Centre in York.

6.15 Play it Safe! Preventing serious cycling accidents, with Anneka Rice.

6.25 News.

6.40 Songs of Praise. Celebrating the 400th anniversary of Kilmarnock.

7.15 'Allo 'Allo!

7.45 Lovejoy.

8.35 So Haunt Me. New series. A family discover their new home is haunted. Comedy with Tessa Peake-Jones and George Costigan.

9.05 One Foot in the Grave.

9.40 News and Weather.

9.55 Mastermind.

10.25 Everyman. Over the years the Belgian townspeople of Geel have opened their doors to the mentally ill. This system still exists, and 800 are currently supported by local families. Given the current crisis in Western community care, can other countries learn from the Belgians?

11.05 Dear John: USA.

11.20 The Shadow. A new health service is emerging in Spain, but patients are taking time getting used to it. British doctor Anita Berlin and Spain's Lorenzo Fieltas compare life as GPs, when they shadow each other at work in Granada and Gateshead.

12.00 The Sky at Night.

12.20 Mahabharat. (English subtitles).

1.00 Weather.

1.05 Close.

BBC2

8.35 Open University. 12.00 Around Westminster.

12.30 Winter Olympic Grandstand. Desmond Lynam introduces live coverage of the Winter Games ice hockey final. Plus, Dougie Donnelly introduces action from the World Indoor Bowls Championship at The Guild Hall, Preston.

5.00 Rugby Special. Chris Rea introduces highlights from the Rugby Union Challenge Cup quarter-finals.

6.00 Winter Olympics Today. Reflecting on the past 16 days of the Winter Games.

6.30 The Money Programme. Brian Barron reports from the industrial north-east of China, where reformers are trying to wean workers away from total dependency on the state. Can the Chinese marry communism with the demands of the free market?

7.15 The Natural World. Wide-ranging view of the damage humans are causing to the Earth.

8.05 Follow the Money. New series. First of four Business Matters specials unfolding the mysteries of British business. Why is Britain good at discovering and inventing, but less successful at turning advances into profitable businesses? Christopher Hird investigates.

9.05 Trying Times. A housekeeper with magical powers causes trouble for a self-absorbed yuppie couple.

9.30 Did You See? Former Scottish National Party MP, Margo MacDonald, Nigerian writer Simi Bedford and comedy writer and performer Pete McCarthy are Jeremy Paxman's guests. They will be discussing BBC1's new drama series Rides, ITV's new comedy Men Behaving Badly and In Time of War, also on ITV.

10.00 Screen Two: My Sister-Wife. When an independent young woman falls in love with a married man, she is unprepared for the bizarre sequence of events that follow. Meera Syal wrote and stars in this tale exploring the clash of sexual passion and family loyalty.

11.30 Winter Olympics '92. Closing ceremony and review of memorable moments from the Albertville Games, plus highlights of today's ice hockey final.

12.45 Close.

LWT

6.00 TV-am. 9.25 Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 Encounter. 12.30 pm LWT News Weekend. 12.55 LWT Weather.

1.00 ITN News; Weather.

1.10 Walden. Brian Walden interviews Shadow Health Secretary Robin Cook on Labour's plans to reverse the Tories' NHS reforms; The Day.

2.00 Snooker: The British Open. Nick Owen introduces fourth round action from The Assembly Rooms, Derby.

3.20 The Match. Everton v Leeds Utd, live from Goodison Park. Howard Wilkinson's squad continue their League Championship hunt while Howard Kendall's Everton, though out of the title chase, are still capable opponents as several recent results testify. Match commentary is by Alan Parry, with Bryan Robson giving expert analysis in the studio. Introduced by Elton Welsby.

5.30 Bullseye.

6.00 Hannah Hauxwell - Innocent Abroad. The legendary lone farmer of the Dales continues her Grand Tour of Europe when she joins a cruise down the Rhine and ventures high into the Alps.

6.30 ITN News; Weather.

6.35 LWT News; Weather.

6.40 Highway. Harry Secombe travels to Fort William, Scotland, and ends up on top of Ben Nevis, Britain's highest mountain.

7.15 You've Been Framed!

7.45 The Darling Buds of May. Pop helps an ex-RAF pilot, and Charley's latest scheme wins Mariette's approval.

8.45 Maigret. When a serious crime occurs in a seaside town, Maigret cannot resist the temptation to investigate. Starring Michael Gambon and Geoffrey Hutchings.

9.45 ITN News; Weather.

10.00 LWT Weather.

10.05 Old Boy Network.

10.35 The South Bank Show. The world and work of Paula Rego, the only living artist to have a work on permanent display in the National Gallery's Salisbury Wing.

11.35 Hooked! Who makes money out of drugs, and what effect does this have on the user?

12.05 Snooker: The British Open.

1.05 Cue the Music.

2.10 The ITV Chart Show.

3.10 Film: The Man Who Could Cheat Death.

4.35 Pick of the Week.

5.05 Soap.

CHANNEL4

6.00 Early Morning. 9.25 The Sword of Tipu Sultan.(English subtitles). 10.00 Dispatches. 10.45 Dennis. 11.00 D'Art. 11.30 Flipper. 12.00 Little House on the Prairie.

1.00 Voyage to the Bottom of the Sea.

2.00 Opera on 4: Orfeo ed Euridice. Harry Kupfer's acclaimed production of Gluck's opera from the Royal Opera House.

3.30 The Three Stooges.

3.55 Serengeti Has Not Died. Examining the results of Dr Bernhard Grzimek's fight for the survival of the Serengeti plains.

4.25 Valued Opinion.

4.55 News.

5.00 Scottish Eye examines the crisis in the forestry industry in Scotland.

5.30 Star Chamber. Paddy Ashdown answers questions put to him by a female interrogator.

6.00 Press Gang.

6.30 The Wonder Years.

7.00 Fragile Earth. Each year, British bird life is threatened by pole trappers, taxidermists and egg collectors. This programme follows the investigation unit of the Royal Society for the Protection of Birds, which has the difficult task of trying to stop the poachers' activities.

8.00 Whicker's World – Down Under. Whicker visits the town of Coober Pedy, where the inhabitants are caught in the grip of opal fever.

8.30 On the Edge: Improvisation in Music. How does improvisation display a musician's role in society? Jerry Garcia and The Grateful Dead show how the music industry conspires to defeat invention. Last in series.

9.30 Burning Books. Books under review include Griel Marcus' Dead Elvis, about the continued obsession with Elvis Presley; Designing the New Spain by Javier Mariscal; and Maria Warner's Indigo. Plus, an interview with Love Story author Erich Segal.

10.00 Film: The Smallest Show on Earth. Bill Travers and Virginia McKenna star in this comedy about a couple who inherit a run-down movie house. Shown as part of the Best Sellers season (1957).

11.30 Film: La Cage aux Folles. A gay couple attempt to act straight when one of their sons brings home his fiancee and her parents (1978).

1.10 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.25 Goals Galore. 12.50 Anglia News. 6.35 Anglia News. 10.00 Regional Weather.

BORDER: 12.30 Gardening Time. 12.55 Border News. 5.30 Scotsport. 6.35 Border News.

CENTRAL: 12.30 Gardening Time. 12.55 Central News 6.35 Central News

CHANNEL: 12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Jornal. 6.35 Channel News.

GRAMPIAN: 10.45 Peppino. 11.15 Perspectives. 11.45 Link. 12.30 My Secret Identity. 12.55 Grampian Headlines. 3.20 Curling. 4.20 Cartoon. 4.30 Bullseye. 5.00 Scotsport. 6.35 Grampian Headlines 10.00 Grampian Weather.

GRANADA: 12.25 Granada This Week. 12.55 Granada News 2.00 Hannah Hauxwell – Innocent Abroad. 2.30 Snooker: The British Open. 5.30 Coronation Street. 6.35 Granada News

HTV: 12.30 West Country Farming. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 Snooker: The British Open. 6.35 HTV News.

HTV Wales as HTV except: 2.00 Snooker: The British Open.

SCOTTISH: 10.45 Glen Michael's Cartoon Cavalcade. 11.15 Link. 11.30 Journeys. 12.30 Day Out with Dana. 12.55 Scotland Today. 3.20 Cartoon Time. 3.30 Coming of Age. 4.00 Bullseye. 4.30 Telethon '92. 5.00 Scotsport. 6.35 Scotland Today 10.00 Scottish Weather.

TSW: 12.30 TSW Farming Week. 12.55 TSW News. 2.00 Children's Island. 2.30 Snooker: The British Open. 6.35 TSW News. 10.00 TSW Weather.

TVS: 12.30 TVS News. 12.33 Agenda. 12.58 TVS Weather. 6.35 TVS News.

TYNE TEES: 12.25 Northern Life Review. 12.55 Regional News. 2.50 The Back Page. 6.35 Regional News.

ULSTER: 12.30 Gardening Time. 12.55 Ulster Newstime 2.00 Hannah Hauxwell – Innocent Abroad. 2.30 Snooker: The British Open. 5.30 Coronation Street. 6.35 Ulster Newstime 10.00 Ulster Newstime

YORKSHIRE: 12.25 Goals on Sunday. 12.50 Calendar News and Weather 5.30 Hannah Hauxwell – Innocent Abroad. 6.00 Bullseye. 6.35 Calendar News. 10.00 Local Weather. 11.35 Married – With Children.

S4C Wales as Channel 4 except:- 9.25 Laurel and Hardy. 9.30 It's a Dog's Life. 10.00 The Crystal Maze. 11.00 Voyage to the Bottom of the Sea. 12.55 Now You're Talking 1. 1.20 Now You're Talking 2. 1.45 Bwrw Mlaen. 2.15 San Steffan. 2.35 Defenders of the Wild. 3.35 Arabian Nights starring Jon Hall, Maria Montez and Sabu (1942). 5.10 The Three Stooges. 5.30 Pobol Y Cwm. 7.05 Newyddion. 7.10 Saith Ar Y Sul. 7.25 C'Mon Midffild. 8.10 Hel Straeon. 8.40 Dechrau Canu, Dechrau Canmol. 9.10 Mwy Na Phapur Newydd. 9.55 TV Heaven: Introduction. 10.00 Thick as Thieves. 10.50 Regan.

RADIO

SATURDAY

BBC RADIO 2
7.00 Don MacLean. 9.05 John Sachs. 11.00 Wired for Sound – The Cliff Richard Story. 12.00 The Vintage Years. 12.01 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Palm Court Time. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half-Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Gyles Brandreth. 1.00 Night Ride. 4.00 Steve Madden.

BBC RADIO 3
6.55 Weather.
7.00 Morning Concert.
8.30 News.
8.35 A Land with Music.
9.15 Julliard Quartet.
10.15 Music Weekly.
11.00 From the Proms 1991.
12.45 Replay.
1.00 News.
1.05 Your Concert Choice.
2.30 Aldeburgh Festival 1991.
3.50 Poet of the Month.
4.00 Bruckner.
5.00 Soundings.
6.00 Songs of Expectation.
7.00 Variations, Blues and Concord.
7.30 Chekhov and After.
9.30 BBC Scottish Symphony Orchestra.
10.15 USSR National Choir.
10.50 Harps and Lutes.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 Sue MacGregor.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
1.55 Shipping Forecast.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.30 The Radio Programme.
4.00 Analysis.
4.47 Golden Oldies.
5.00 Down Your Way.
5.40 First Person.
6.00 News.
6.15 Feedback.
6.30 Present Voices, Past Words.
7.00 Africa: Deadline for the Dark Continent.
7.30 Bookshelf.
8.00 The Radio 4 Debates.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Another Pharaoh.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.43 FM close/LW joins World Service.

BBC RADIO 5
6.00 News.
6.30 Meridian Reports.
7.00 Newsdesk.
7.30 Sunday Edition.
9.00 Johnnie Walker.
10.30 Education Matters.
11.00 Learn to Earn.
11.30 A Century Remembered.
12.05 Ring-a-Winner.
1.40 Open Forum.
2.00 And Now Read On.
2.30 They Think It's All Over.
3.00 Football Extra.
5.10 Bob Hatton Rattle.
6.05 Mission Investigates.
6.30 The Railway Children.
7.00 Sports Bulletin.
7.10 Open University.
10.15 Across the Line.
12.00 News and Sport.
12.10 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:
6.00 News; News About Britain. 6.15 Letter From America. 6.30 Londres Matin. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith. 8.15 Music With Matthew. 9.00 News; Business Review. 9.15 Short Story: Surviving On Mexican Shade. 9.30 Folk in Britain. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 News Summary.
12.01 Play of the Week: Amongst Barbarians. 1.00 Newshour. 2.00 News Summary. 2.01 It's Your World With Eastern European Leaders. 3.00 News. 3.15 International Recital. 4.00 News; News About Britain. 4.15 BBC English.
4.30 News in German; German Features. 5.00 News and Business Review. 5.15 Club 648. 5.30 Londres Soir. 6.14 BBC English. 6.29 News Summary; News in German. 6.40 German Features.
7.54 News in German. 8.00 News and Business Review. 8.15 Londres Derniere. 8.30 Europe Tonight. 9.00 Newshour. 10.00 News. 10.15 Meridian. 10.45 Sports Roundup.
11.00 News; Business Review. 11.15 Music With Matthew. 12.00 Newsdesk. 12.30 In Praise of God. 1.00 News Summary. 1.01 Classic Concerts.
1.45 Mastersingers. 2.00 Newsdesk. 2.30 Composer of the Month: Benjamin Britten. 3.00 News; Words of Faith. 3.15 Sports Round-up. 3.30 Anything Goes. 4.00 News. 4.15 Taxi. 4.30 The Week Ahead; Travel.

SUNDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Gyles Brandreth. 1.00 Comedy Hour: The Navy Lark. 1.30 I'm Sorry I Haven't a Clue. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Bob Sinfield. 6.00 Cinema 2. 6.30 Music by John Barry. 8.00 Things are Swinging. 7.00 On the Air. 7.30 The Golden Age of Radio. 9.30 Easy Does It. 10.00 The Arts Programme. 12.05 Karen Carpenter. 12.35 Night Ride. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.15 (MW until 1.20pm) World Cup Cricket.
6.55 (FM) Weather and News Headlines.
7.00 (FM) Morning Concert.
8.30 (FM) News.
8.35 (FM) Schumann, Schubert and Debussy.
9.30 (FM) Saturday Review.
12.07 (FM) Tchaikovsky.
12.55 (FM) Words.
1.00 (FM) News.
1.05 (FM only until 1.20pm) Haydn and Stravinsky.
2.00 Rafael Kubelik.
4.00 Tuning Up.
5.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Variations, Blues and Concord.
7.00 Benvenuto Cellini.
10.20 Goya's Duchess.
10.30 Piano Trios.
11.25 BBC Scottish Symphony Orchestra.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News.
6.10 Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 Just a Minute!
1.00 News.
1.10 Any Questions?
2.00 Any Answers?
2.30 Saturday Playhouse: The British Bulldog.
4.00 Age to Age.
4.30 Science Now.
5.00 Second to None.
5.25 Fourth Column.
6.00 News.
6.25 Week Ending.
6.50 Stop the Week.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 On the Ropes.
9.30 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Charlie Was a Hero.
10.45 Travels with Mrs T.
11.00 Richard Baker Compares Notes.
11.30 The Nick Revell Show.
12.00 News.

BBC RADIO 5
6.00 News.
6.00 News about Britain.
6.15 The World Today.
6.30 Morning Edition.
9.00 On Your Marks.
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on 5.
5.00 Sports Report.
6.05 Six-O-Six.
7.30 Le Top.
9.00 Afropop Worldwide.
10.00 Sports Bulletin.
10.15 On the Level.
12.00 Close.

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8.15 A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Jazz Now And Then. 10.15 Letter From America. 10.30 Waveguide. 10.40 Book Choice. 10.45 From The Weeklies. 11.00 Newsdesk. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 News; News About Britain.
12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News. 3.15 Sportsworld continued. 4.00 News; News About Britain. 4.15 BBC English. 4.30 News in German. 4.40 German Features.
5.00 News Summary; Sportsworld: final results. 5.30 Londres Soir. 6.14 BBC English. 6.29 News Summary. 6.30 Heute Aktuell. 7.00 German Features. 7.54 News in German. 8.00 News; Book Choice. 8.15 Londres Derniere. 8.30 Europe This Weekend. 9.00 Newshour. 10.00 News.
10.15 Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; Book Choice. 11.15 A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary. 1.00 Play of the Week: Amongst Barbarians. 2.00 Newsdesk. 2.30 Fancy Cats. 3.00 News; Words of Faith.
3.15 Sports Roundup. 3.30 From our own Correspondent. 3.50 Write on. 4.00 News. 4.15 Children of Courage. 4.30 Business Review. 4.45 News and Press Review in German.

CHESS

THE recession has had mixed effects on European chess. Some events have disappeared and many all-play-alls are replaced by less costly opens. Yet, at the top end of the market a few generous backers vie to support ultra-strong, richly-endowed tournaments.

Last week's Monaco rapid (30 minutes a player per game) was sponsored by J.J. van Oosterom of Volmac Software, Rotterdam. Judit Polgar, 15, met the UK's Michael Adams, 20, plus the world numbers two and three, Karpov and Ivanchuk. The youngest grandmaster lost three games at the start but then held her own against the male elite.

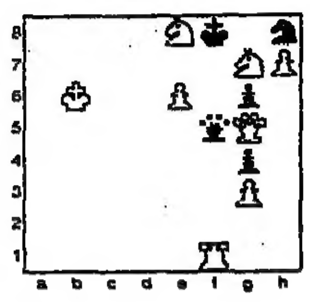
Scores were Ivanchuk 14/22; Anand 13½; Karpov, Korchnoi, Ljubojevic 12½; Adams, Seirawan,11; Piket, Polugaevsky 10; Polgar, Speelman 8½; Larsen 8.

Readers who have only played chess without clocks or at slower rates may assume that one-hour games become a chaotic race to avoid a time loss.

In contrast, this game is a creative original in Karpov's best style. (A.Karpov, White; L Polugaevsky, Black; Queen's Indian; Melody Amber Rapid, Monaco 1992).

1 d4 Nf6 2 c4 e6 3 Nf3 b6 4 a3 Ba6 5 Qc2 c5 6 d5 exd5 7 cxd5 Bb7. Black wins a pawn but g6 is safer. 8 e4 Qe7 9 Bd3 Nxd5 10 0-0 Nc7 11 Bg5 f6 12 Bh4 Nc6 13 Nc3 0-0-0 14 Bg3. Book till here, but Karpov improves on 14 Rfe1 by launching his bishops at the black king. d6 15 b4 Ne5 16 bxc5 Nxf3+ 17 gxf3 dxc5 18 Rfd1 h5 19 Nb5! Nxb5 20 Bxb5 a6 21 Bf1! Bishops on adjacent diagonals aimed at the opposing king are always powerful. Rxd1 22 Rxd1 g5 23 Bh3+ g4 24 fxg4 Qe6 25 Qd2! Undermining Black's rickety defence. The double threat is Qd8 mate and Qf4. Bh6 26 g5 Qxh3 27 Qd6 Resigns.

CHESS No. 911



White mates in two moves against any defence (by F. von Wardener). A visually-testing problem which caught out many earlier solvers.

Solution Page XVII.

Leonard Barden

BRIDGE

IN TODAY'S hand from rubber bridge, the dealer was South with no one vulnerable:

N
♠ 9 8 7
♥ K Q 3
♦ A K J
♣ Q 10 7 5

W
♠ K J 6 5 3 2
♥ J 8
♦ 8 5 3
♣ 6 4

E
♠ –
♥ 10 9 7 8 4 2
♦ Q 10 4
♣ 9 8 3 2

S
♠ A Q 10 4
♥ A 5
♦ 9 7 6 2
♣ A K J

Playing a weak no-trump, South decided to open with one club instead of one spade and North replied with a temporising one diamond. South rebid two no-trumps; North raised at once to six no-trumps, which was optimistic – only 15 points and no workable five-card suit – and that concluded the auction.

West started off with the six of spades, an opening which is hardly to be recommended. Without that lead, the contract is unmakeable. Dummy's seven won and East threw the heart four. South cashed ace, king and queen of clubs, West dropping a spade on the third round.

When the 10 of clubs was played, West discarded another spade and South parted with his 10. Crossing to his ace of hearts, declarer led another heart to the queen and West produced the knave. If that card was true, both opponents were marked with three diamonds.

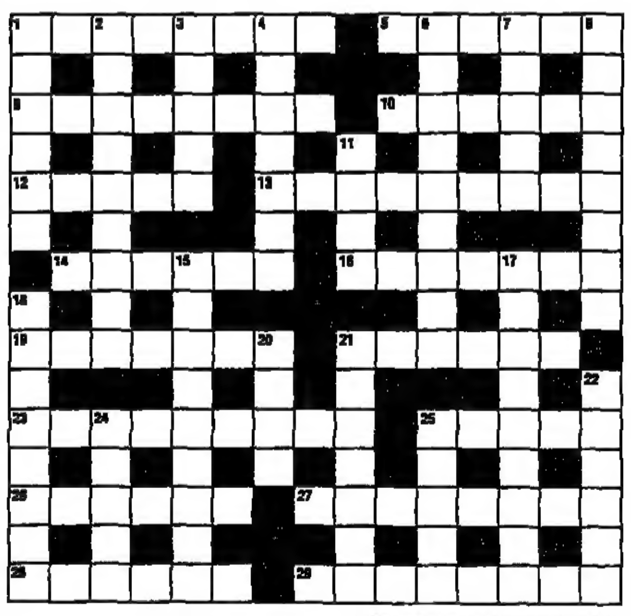
That discovery play had solved South's problems. All that was needed was for him to cash the three diamonds, knowing that whichever defender won the trick would be endplayed. If East had the queen, the forced heart return would allow South to make the rest of the tricks; if West took the third diamond, the forced spade return would enable declarer to get home with three spades, two hearts, three diamonds and four clubs.

E.P.C. Cotter

JOTTER PAD

CROSSWORD

No.7,785 Set by ALAUN



ACROSS
1 Not in Italian (8)
5 Difficulty in getting passage (6)
9 They aim to provide clues (8)
10 Giving the chop to a male member of the team (6)
12 A move up (5)
13 The greatest or most garrulous talkers do (9)
14 Stole to give a little gift to the sweetheart (6)
16 Steer erratically on a bend, though sober (7)
19 Who broke the news about the bank robbery? (7)
21 All the actors or just the star (6)
23 Put inside inside out and argued about (2,7)
25 Gather the dog twisted the top off (5)
26 Display on advertisment: "Getting into trim" (6)
27 Activities of the progressive? (6,2)
28 Treating Pavarotti, what the nurse said? (6)
29 Went to it a couple of times and then stopped by (6)

DOWN
1 How's that for charm! (6)
2 Good bearing (4,5)
3 Register when you come on stage (5)
4 Sound happy to be back in bed and that's bad (7)
6 Speculates as the duck takes to the air (9)
7 A war plane holed by a foreign ally (5)
8 Got back there worried, at the same time (8)
11 It's high before being raised (4)
15 Urged to continue, went ahead (7,2)
17 Got the hell out of! (9)
18 A second danced in the nude (8)
20 Said only in spirit (4)
21 Across the Channel, dear, also went up in smoke (7)
22 Was inclined, when two points in front (6)
24 Shoots game (5)
25 Reach open country (5)

Solution to Puzzle No.7,784

O	S	T	E	N	D		B	A	C	K	H	A	N	D
B		A		I				P		I		V		U
I	N	T	A	C	T		S	P	A	N	N	E	R	S
T		T		E		A		O		G		N		T
U	G	L	I		A	D	M	I	T		C	U	T	E
A		I		I		M		N		L		E		R
R	E	N	U	N	C	I	A	T	I	O	N			
Y		G		D		N		M		Y		C		E
			D	E	L	I	B	E	R	A	T	I	O	N
P		A		X		S		N		L		V		C
I	N	N	S		S	T	A	T	E		T	I	L	L
C		T		W		E		S		S		L		O
N	O	R	T	H	E	R	N		R	A	B	I	E	S
I		I		O		E				G		A		E
C	O	M	M	A	N	D	O		C	O	I	N	E	D

The certainties of ignorance

***Dominic Lawson** explores the hazards of relying upon the modern expert*

A WRITER of my acquaintance, Neil Lyndon, is a man with a peculiar mission. He wants to know how many people there are in the world. Or, more particularly, how we know how many people there are in the world. Or, still more particularly, how those who say they know how many people there are in the world, can justify their claim. So he rang up the Office of population and censuses at the United Nations, and asked an information officer there if he was right in thinking that the population of the earth now exceeded 6bn. "Er . . . that can't be right," said the population counter. "It's more like 5½bn. Isn't it?"

China, one imagines is the source of much of the confusion. My friend asked the man at the UN how they knew the population of China. For example, when was the last census held in China, and how was it carried out? "Oh dear," said the man from the UN. "I very much doubt you could find anyone who could answer that question." So my friend rang up the Chinese Embassy in London. No one answered. They must have been one short.

It is, one must concede to Lyndon, a big, and perhaps even an important question. Since we tend to be given so many statistics expressed as a percentage of the population of the world – what percentage have AIDS, for example – it is a little unsettling to discover that they are all based on ignorance. Unsettling perhaps, but not surprising. Stock markets for example, seem based entirely on the principle of general ignorance about everything of importance. If the true facts about corporate performance were universally available and understood there would be very little difference of opinion, and hence very little room for trading. This sort of ignorance is acceptable, because it is somehow abstract and intangible. But general ignorance is expanding to cover the most practical and down to earth problems.

Take, for example, something as seemingly simple as the workings of the internal combustion engine. It used to be the case that almost anyone who drove a car would have a basic idea of how the engine worked. They could imagine, armed with the necessary diagram, how the thing might be put right, if it stuttered, stalled, or conked out. Few owners of a modern car would have any idea what to do in a similar situation. Indeed, the electronics have become so complex and computerised, that much doubt if the average garage owner has a clear idea of how to solve a breakdown in a modern engine. Many parts have to be sent back to the manufacturers, the only people who understand the sophisticated electronic management systems. I suppose the retort of the car manufacturers would be that their customers have ceased to have the same need to know how engines work, because the things are now so much more reliable than they were. But still, as one drives one of these gently humming beauties, it is difficult not to feel uneasy, that one is somehow a cog in a machine beyond one's comprehension.

This is a particular example of a universal problem. Increasingly, one is told to "trust the expert." The very word "expert" has become something of a commonplace in newspaper accounts of otherwise inexplicable events, the readers being reassured that such and such an "expert" or in the tabloid press, "boffin" has come up with such and such a theory, which explains everything. The "experts" sometimes work under other names such as "doctor" or "garage mechanic" or "psephoplogist" or "environmental health officer".

It would be pleasant always to believe that these experts are trading in more than the blend of half understood facts, ignorance, and prejudice which inform the beliefs of the rest of us. But that would amount to an act of faith, just as big as that required to believe that the average garage mechanic can mend our car engine, to believe that the United Nations office of populations and censuses really knows how many people there are in the world, and that there will always be someone to answer the telephone in the Chinese Embassy.

■ *Dominic Lawson is editor of the Spectator.*

Private View/**Christian Tyler**

A mother in waiting to be a priest

Church leaders debated ordination for women this week. Dilly Baker, a London curate, talks about her vocation

DILLY BAKER is expecting to become a mother in two weeks' time and an Anglican priest within two years.

The birth of her first child may be in God's hands. Her ordination is in the hands of the general synod of the Church of England which debated the divisive subject of women priests again this week and could give final approval in November.

Barring parliamentary accident, the crop-headed young curate of St. John the Evangelist in Goose Green, south London, will then be able to celebrate the Eucharist and to give absolution – she, and about 1,000 other women, already ordained deacons, who are priests in waiting.

The church will gain another male priest, too: Dilly's husband, Chris, curate of the neighbouring parish of St Barnabas, who has delayed his own ordination in sympathy with his wife.

Dilly Baker's tomboy haircut and progressive views could suggest a militant feminist, a woman subconsciously trying to be a man. But there is nothing mannish about her big eyes, wide mouth and giggly laugh – she is younger than her 30 years – and nothing strident about the way she talks.

I asked her to describe her vocation.

"My sense of vocation has never been the kind of blinding light from heaven," she said. "It's always been something I have a little bit of a love-hate relationship with. I mean, I'm here because I believe that I am called to be a priest, but the Church of England does give me severe jitters at times."

She wonders what her father would have said. He was a C of E traditionalist who died when she was only 12. "I often think about that. I have a hunch he would have said: 'You go for it!'".

Have you a vocation or do you really mean you want a career?

"It depends how you want to define vocation. I feel that I have. I can pinpoint the time when I felt very, very strongly that this was something I had to do: it was during a pilgrimage week at Iona."

How do you know your vocation is for the priesthood?

"I feel my ministry is incomplete without the priestly part. When you've been involved in people's lives, birth and death and everything in between, and then the shutter comes down on Sunday morning that feels very, very wrong."

And if ordination were denied you?

"I would find it very difficult to continue in the church in my present position."

Do you see it as a woman's right to be ordained priest?

"It's a very loaded term, that."

Yes, I said; it was deliberate.

The curate sighed. "I don't think I want to talk in terms of rights because that just turns people off. I might want to talk in terms of justice. Men and women are created together in the image of God and to deny women the ability to represent Christ is, I think, a fundamental break with justice. But I'm not the sort of person to go around talking about women's rights too earnestly."

Is what you're doing part of the feminist movement?

"I'm reluctant to say Yes because feminism is such a dirty word for a lot of people. But feminism has helped us to see more clearly what has been going on in the church, the way women have been treated and understood."

The church was taking its cue from secular society, but would lose all credibility if it did not press ahead. And there was a precedent – its renunciation of slavery after centuries.

> *'Men have been heading this show for so long. Women will bring a breath of fresh air'*

Just under a third of the laity but slightly more than a third of the clergy oppose the ordination of women, according to diocesan poll results discussed this week. Many regard it as the feminist component of a general slide into trendy theology and secularism.

Dilly Baker (her real name is Hilary) acknowledged a theological connection. "It's not simply a matter of who says the Eucharistic prayer. We're dealing with something very important: how we understand God, how we understand sexuality and relations between women and men. So long as the church says that women cannot adequately represent Christ at the altar then our theology is open to question."

Is the gender of God a separate question from whether women should be priests or not?

She hesitated. "I personally don't think it's separate. But let's be honest. There's no sex to God. It's a convenient metaphor. We're talking metaphors all the time here and I think we need to enlarge our vision of God all the time. But 'women priests equals female God' is not what I want to say at all."

Devout Anglicans see women's ordination as the last nail in the coffin of traditional Christianity. (A few have gone further, claiming that in New Zealand it has caused an outbreak of 'religious witchcraft'.) "There are as many, or more," said the curate, "who feel it's not fair to dump it all at the feet of women priests. To have women as priests redresses the balance a little bit but no way does it alter the fundamentals of the faith."

Some objectors quote Biblical authority for their views, others are just shocked by the thought that such a long tradition is to be broken. Yet Methodists, Baptists, and other English non-conformists have already broken it, and there are 1,500 women priests in Anglican churches overseas – and two women bishops.

For Dilly Baker, the fact that Jesus chose male disciples is not persuasive. They were not chosen as priests, and church hierarchies developed much later in accordance with social custom. The fact that Christ was a man did not prevent him conferring important roles on Mary and Martha.

"Jesus came to take on our flesh to understand us as human beings," she said. "It's that taking on of our humanity that is of essential importance, not the maleness . . . or else the gospel has really nothing to say to women."

She also rejected the argument that women priests would damage prospects of unity with the Church of Rome. "To suggest that it's just these few pushy women who are stopping unity is not very accurate. Anyway I would want to say 'Unity at what cost?'"

What about the unity of the Church of England itself? I asked. What will the cost be if the ordination of women goes ahead?

"Well, I think the Church is going to be greatly enriched by it." She laughed. "I can say no other, can I?"

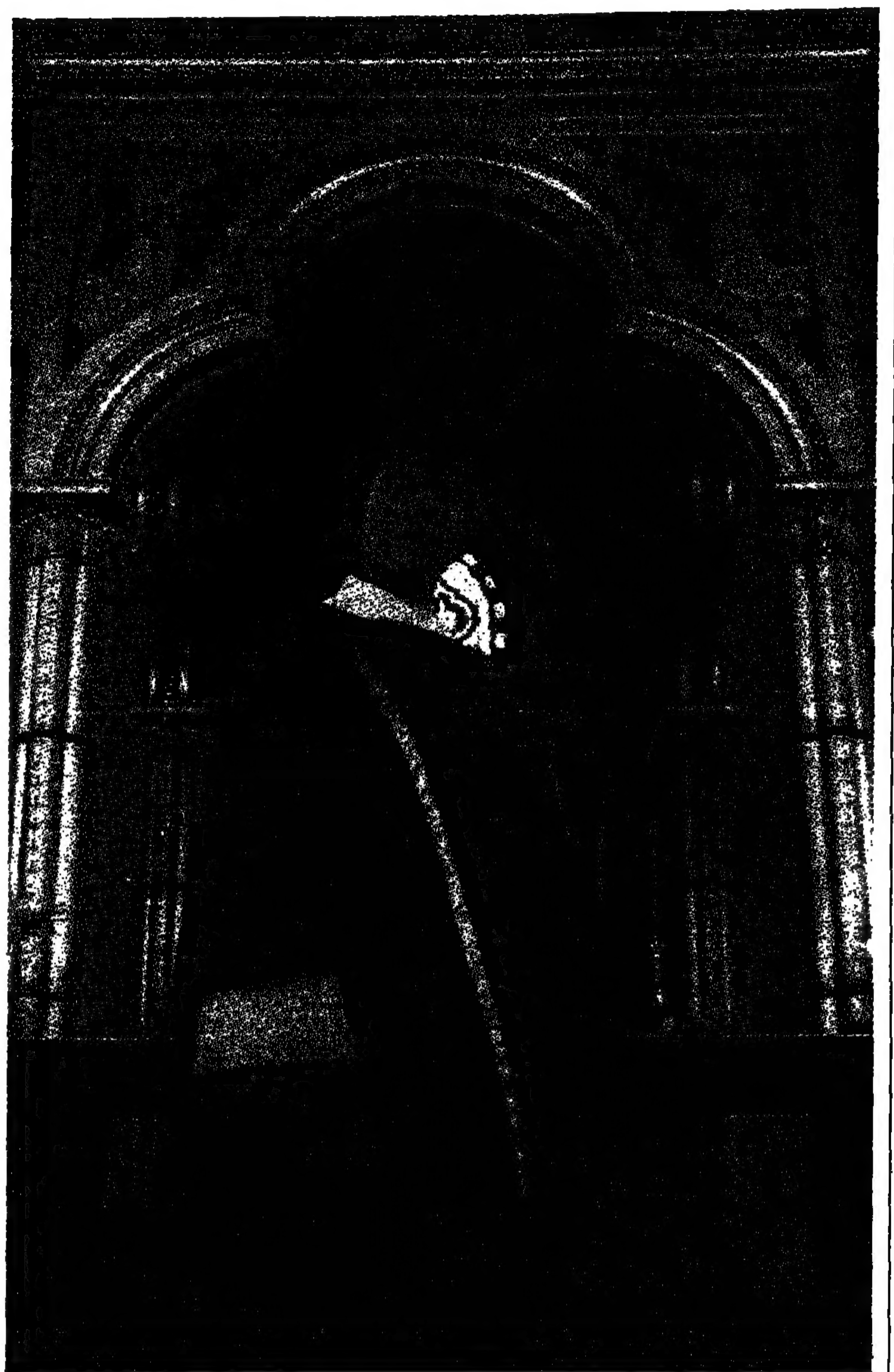
Don't you take seriously the threat that a lot of people will leave?

"I don't think a lot of people will leave. Some will, just as some people will leave if it doesn't go through. That's very sad and I'm sorry about that. I feel it's unnecessary since as the legislation stands there will still be a place for people who are opposed to women priests. But there are also people we don't hear about who have left, who don't come to church because of the way the church treats women."

What about the church splitting?

"I don't know how seriously to take that. Whether it's scaremongering tactics I don't know.

"But I do know – and I'm in a High Church here where you expect to find most opposition – that as people have got used to me as a minister, they have become comfortable with the idea of women priests. Because I'm standing behind the altar and the symbol has gradually changed for them, they have got used to it."



Some clergymen cannot get used to it. One, after a recent conversation with a woman deacon, suddenly stopped and said: "Why do you insist on wearing that bitch collar?"

The incident prompted me to ask why so many homosexual clergy (they form a large minority in the London diocese) were hostile. The mother-to-be, so far serene, looked uncomfortable. Eventually she said:

"I would want to affirm gay people in their sexuality. I don't want to be seen as opposed to gay people. I feel upset that they can't see the connection between the way the church has treated gay people and the way it has treated women. It's all part and parcel of the church's inability to come to terms with sexuality."

She agreed that the Church of England could be seen as the last male bastion. "Men have been heading this show for so long. Women will bring a breath of fresh air, a little more imagination and creativity, and will open the whole thing up. Maybe that is why some men are so very threatened by the whole issue."

I asked her how women priests would differ from men.

Once more, she was reluctant to employ "stereotypes". She finally agreed that women might find it easier to extend sympathy, especially to other women. The family of a parishioner whose funeral she recently conducted had said as much.

Finally, I asked her: do you think it's God's will that women should be priests?

"Yes," she said, very quietly. "I certainly do."

Do you kneel down and pray to be told this is the right thing for you?

"Yes. That would be quite an apt way of putting it. I have thought about it and prayed about it and struggled with the issue for some time and I'm absolutely certain this is the way forward – not just for me as an individual but for the church in general."

So you have God on your side?

"Oh, you wicked . . .! I never talk in terms of God on my side. I do think it's God's will but I'm not so naive as to say the opposition wouldn't say the same thing."

Heaven and Hell

To joke – perchance to laugh?

***Mark Archer** asks a deeply philosophical question*

ARE THERE jokes in Heaven? Difficult to imagine, isn't it? Ancient philosophers envisaged the gods happily contemplating the perfection of the universe. But show a comedian the perfect world and he will burst out laughing or, more typically, tell a joke.

Jokes are incorrigibly dissident. At the lightest level, they deflate our vanity (interviewed by Dame Edna Everage on TV, best-selling novelist Jeffrey Archer once said how important it was to laugh at oneself. "If you can't do that, Jeffrey, you've missed the biggest joke of all!" came the reply).

At a deeper level, they enable us to live with highly-unpleasant truths about ourselves which often are directly contrary to our orthodox beliefs. All those jokes about mothers-in-law, sex and religion: don't they serve as safety valves for some of our most ambivalent thoughts and desires?

Some of the funniest jokes about Heaven are told by churchmen: not surprising when the strongest believers are often tortured by doubt. Heaven is one thing about which we cannot be certain. As the 17th-century philosopher, Thomas Hobbes, put it: "What kind of Felicity God hath ordained to them that devoutly honour Him, a man shall no sooner know than enjoy." But, through jokes, people at least can accommodate completely inconsistent ideas in one release of mirth rather than suffer mental anguish.

Once in Heaven, though, jokes would be ruled out of court. Everyone there would have a starred First in Perfection *cum laude*. If you went around intimating that anyone was a little less than perfect, you would be considered, well, a bit naff.

How would some of most dissident comic writers entertain themselves? Henry Fielding for instance (he would be out of a job as a magistrate, in any case)? Or Jane Austen, whose irony – as expressed by Elizabeth in *Pride and Prejudice* – is directed at the "follies and inconsistencies" of the world? Queen Victoria would be there (she who never was amused); but we would seek in vain for Dr Johnson and his drinking companions, Goldsmith, Garrick and Gibbon. Heaven would not just be beyond a joke. Would it not also be, er, just a little boring?

The problem is not to do with Heaven or whether we would be happy there. The hard thing is imagining happiness without jokes or fun: do these not depend on recognising human "follies and inconsistencies." T.E. Lawrence once said that "failure was God's freedom to mankind." He could have been describing jokes.

In an important respect, man's follies are his freedoms. Jokes thrive on the quirky and unpredictable in human nature. Only in this way can they surprise us with their knowledge of ourselves.

How could jokes survive in Heaven, where everything is predictable? So much human happiness depends on chance – the old English word "hap," meaning chance or luck, is part of the word – and jokes are no exception. Like life's best adventures, their success is in proportion to the uncertainty of their outcome.

Jokes are chancy things. You need to carry them off, and you also need to carry your audience with you. Indeed, one reason jokes are risky is because they depend on other people, to hear as well to share in them. "A jest's prosperity lies in the ear/ Of him that hears it," as Rosaline says at the end of *Love's Labour's Lost*.

But because Heaven admits of no chance, it cannot admit of happiness, at least not as it is understood humanly. Everyone miraculously would hear the punch-line in his head before you said it. How could you get your timing right in an environment which was timeless, changeless and co-eternal with God? Every joke would be divinely stale.

Human unpredictability is not always a source of happiness. Jokes fail. They also wound, as Emma Woodhouse learns when she attempts a joke at the expense of Miss Bates in Jane Austen's *Emma*. But during wars, when unpredictable human folly can make it seem as if the world has gone mad, jokes can be our last line of defence. They can turn the tables on adversity.

Someone who thought the follies and uncertainties of this life were heaven enough was Rupert Brooke who, in a poem, celebrated "voices in laughter," "the pain, the calm, and the astonishment/Desire illimitable, and still content.".

"All these," he says, "have been my loves," despite the fact that "these shall pass." What he loves is the unpredictability of life, the unforeseen-ness of its all-too-human epiphanies, even – we could say – its capacity for jokes.

The Greek poets understood this better than the philosophers. While philosophers were propounding a

po-faced image of celestial happiness, their literary brethren were saying something very different about happiness.

Why do so many gods of ancient legend descend to earth merely to get up to mischief? They play pranks and they love to joke; they love, also, to fall in love although they rarely hold on to the mortals they pursue.

Perhaps the gods were on to something: that happiness, like a good joke, is something you need to be human to appreciate.

Mark Archer

The W word

Michael Thompson-Noel

THIS HAS been a tough old week for those of us on work duty in Beverly Hills. There is a belief in dull quarters that life in Los Angeles – especially in Beverly Hills – is one long round of parties, polo matches, lunch dates, shopping, private screenings and daily conferences with one's hairdresser, florist, decorator, astrologer, [illegible] supervisor, hypnotist, analyst, celebrity fitness trainer, tennis coach, garden masonry consultant, personal organiser, tax attorney and PR office.

And so it is, of course. But there are odd chinks in the day which still have to be filled – work opportunities, I think we should call them – when the resident of Beverly Hills, or even the regular visitor, must turn his attention to this frivolous thing called work.

Take Monday. On Monday I was convinced I had spotted a work opportunity. I read in the paper that at 5.30 am on Wednesday the Academy of Motion Picture Arts and Sciences right here in Beverly Hills was holding a press conference at which this year's Oscar contenders, five in each category, would be named.

The 5.30 am kick-off was designed to attract TV coverage from network news shows on the East coast, and from CNN in Europe. So I rang the Academy. But Monday was a holiday. The Academy was shut. So I rang again on Tuesday.

By then, I was told, "credentialling" for the press conference had closed. "If you are

HAWKS & HANDSAWS

not credentialled at this time," a hussy told me, "then you will not be able to attend, though you are welcome to pick up a press pack from the Academy between 7.30 am and noon."

I have never found much nourishment in press packs. These days, journalism is so competitive, editors so shrill, that you have to delve way beyond the press pack if you want to make your mark. You simply cannot ring the News Editor and instruct him: "Hold the back page, I am picking up a press pack."

Which left me confronting a singular lack of work opportunities with which to make a good fist of Wednesday, to flesh out my schedule and justify the not insignificant cost of maintaining me on the ground in Beverly Hills for another 24 hours.

But fortune favours the bold. Not at all flustered by my failure to gatecrash the Oscars press conference, I repaired, at 10 am, to poolside at the Regent Beverly Wilshire Hotel. The morning was beautiful. The swimming pool quivered and glittered just like a David Hockney.

And then my eye fell upon a magazine ad placed by Negative Population Growth Inc. which claimed that, driven by explosive population growth, the US was hurtling towards environmental disaster.

At once my journalistic instincts tempered these many years by the white heat of ferocious competition, pinged into action. Talk about a story.

According to Negative Population Growth Inc: "If present immigration and fertility rates continue, our population, now over 252m, will pass 400m by the year 2050 and still be growing rapidly!

"We believe that all efforts to save our environment will ultimately prove to be futile unless we not only halt US population growth, but reverse it, so that our population can eventually be stabilised at a sustainable level – far lower than it is today."

What was the ideal size of the US population? Answer: in the range of 125m to 150m, about what it was in the 1940s.

How would this be achieved? Answer: by reducing annual immigration to about 200,000 so that it roughly balanced emigration, and by lowering the fertility rate from 2.1 children per woman to around 1.5 and keeping it there for several decades.

"We believe," said the ad, "that non coercive financial incentives will be necessary in order to reach that goal." These would include eliminating the present Federal income tax exemption for dependent children.

At once, numerous lines of inquiry suggested themselves to my active mind.

Who was master-minding NPG Inc? What did they stand to gain? Was there any plan to eliminate or reduce whole categories of persons – people who work in advertising agencies springing felicitously to mind? Or to eliminate whole cities? What about New York? It has always seemed to me that New York is peopled exclusively by nerds and jerks.

Unfortunately, the only way to get in touch with NPG Inc was to send off a cheque for annual membership. So I wrote out a cheque for $30 and asked the pool attendant to mail it to Teaneck, New Jersey.

Then I rang my hairdresser.